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**STRATEGIC BUDGET PLANNING  
FOR HIGHER EDUCATION INSTITUTIONS IN THE  
UNITED ARAB EMIRATES**

**By**

**AHMED ABDULLAH AL-ZAROUNI**

**A submission presented in partial fulfilment of the requirements of  
the University of Glamorgan for degree of Doctor of Philosophy**

**May-2003**

## Declaration

This is to certify that the work submitted in this thesis under title: **Strategic Budget Planning for Higher Education Institutions in the United Arab Emirates** is original research. No part of this work has been accepted in substance for any degree and is not currently submitted in candidature for any degree. All authors and works to which reference has been made are fully acknowledged.

Signed

Candidate: .....

Director of Study: .....

Supervisor: .....

Date: .....

## **Dedication**

**WITH LOVE AND CARE  
TO MY FATHER AND MOTHER  
TO MY BROTHERS AND SISTERS  
TO MY WIFE AND CHILDREN**

**SARAH  
OMRAN  
AYSHAH  
MOHAMMED  
NORAH  
ABDULLAH**



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## **Abstract**

This thesis represents the first empirical investigation of the impact of strategic planning on budgetary and resources allocation processes within higher educational institutions (HEI) in the United Arab Emirates (UAE).

It has been shown in the accounting literature that, there is a need for studies to assess the links between university strategies and the budgeting and budgetary control processes of those institutions. Such studies of the strategy-budget connection have been called for by a number of accounting scholars in order to learn more about how HEI can better manage and meet their learning and teaching objectives. In addition achieving these plans and programmes has become more complex in what worldwide is an increasingly resource constrained environment. This thesis develops these issues by adding to the literature in a country not previously studied in this context.

The study has constructed a theoretical model, which develops certain significant connections between personal and organisational characteristics, university strategies, the budgeting and control processes, and finally the centralisation of financial and administrative decisions within HEI in the UAE. The research model has several further connections particularly between the strategic planning and budgetary processes. In examining the model the researcher has developed new measures derived from the relevant literature for factors in the strategic planning process, the budgeting and budgetary control process and the centralised nature of management decision making in the institutions being investigated.

The reliability and validity of these measures were examined by using several statistical techniques through both pilot and comprehensive field studies. In addition, the study approached five universities and two technical colleges within UAE. The sample included a hundred and fifteen subjects represent senior academic, managerial, and financial staff within UAE institutions. Finally, senior members of Ministries of Finance and the HEI themselves were interviewed in order to objectively assess the impact of these issues on the challenges facing these universities and colleges in meeting their objectives.

The present study has found significant linkages between strategic planning and the budgetary and control processes that support the model of this thesis and highlight the actual problems created by any missing link in the strategy-budget connection. This is in addition to discovering other problems associated with the whole planning and budgetary processes within UAE HEI. The thesis found more limited support to the interrelationships between personal and organisational characteristics and, the budgeting and control processes. This is due to the structural and institutional nature of the phenomenon under investigation.

Finally this thesis has drawn certain conclusions and recommendations thought necessary to improve the situation discovered.

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## **List of Abbreviations**

AAA	American Accounting Association
ABC	Activity Based Costing
ABR	Achievement Base Resource
ACRPHE	Advisory Committee Report for the Planning of HE in UAE
AED	Arab Emirates Dirham
AUS	American University of Sharjah
AUST	Ajman University of Technology and Science
BC	Budget Committee
CIPFA	Chartered Institute of Public Finance & Accountancy
CAUSE	The Association for Managing and Using Information Resources in HE
DOD	Department of Defence
DVC	Deputy Vice Chancellor
ECE	Etisalat College of Engineering
FEFC	Further Education Funding Council
FNC	Federal National Council
FSC	Federal Supreme Council
GCC	Gulf Co-operation Council Countries
GDP	Gross Domestic Product
GFB	General Federal Budget
GNP	Gross National Product
HE	Higher Education
HEI	Higher Education Institutions
HEFC	Higher Education Funding Council
HEFCE	Higher Education Funding Council for England
HCT	Higher Colleges of Technology
MC	Ministries Council
MEY	Ministry of Education and Youth
MHE	Ministry of Higher Education
MFI	Ministry of Finance and Industry
MP	Ministry of Planning
NA	Not Available or Not Announced
NACUBO	National Association of Colleges University Business Officer
NAO	National Audit Office
NPC	National Planning Council
RFM	Relative Funding Method
PWE	Price Waterhouse Establishment
PPBS	Planning, Programming, Budgeting, System,
SAI	State Audit Institution
SWOT	Strengths Weaknesses Opportunities Threats
UAE	United Arab Emirates
UAEESA	UAE Education Sector Assessment
UAEU	United Arab Emirates University
UAEUCD	The Report of the Centralisation and Decentralisation of the Expenditure Operation in the UAEU
UGC	University Grants Committee
UK	United Kingdom
USA	United States of America
US	University of Sharjah
VC	Vice Chancellor
ZBB	Zero Base Budgeting
ZU	Zayed University

# **CHAPTER ONE**

## **INTRODUCTION AND OVERVIEW**

### **1.1 Introduction**

This thesis examines the strategic planning processes of higher educational institutions (HEI) (Universities and Colleges) in the United Arab Emirates (UAE). It discusses how these process relate to the resource allocation and budgeting systems within these institutions.

As such it is an exploration of the nature of strategic planning and the inter-relationship between the budgetary process and the problems facing these institutions in managing and obtaining funds to maintain quality teaching and learning, support and develop research and to sustain efficient and effective administration support activities. This is the first time that such research has been carried out in the UAE and its institutions.

This chapter provides an overview of the study including a statement of the research problem, the objectives and research questions, the methodology and, finally, the structure and significance of the thesis.

### **1.2 Statement of the Research Problem**

The growth in the supply and demand for higher education (HE) across the world has been well documented in the literature (Altbach and Peterson, 1999; Kezar, 2000 and Tayib and Hussin, 2003). This growth has placed pressure on the economic resources of both the developed and developing countries with demands from the universities and others to deploy and assign sufficient financial resources to higher

education (HE) in order for universities to pursue programmes and activities effectively and efficiently to meet their strategies and objectives in the context of these demands. In the UAE, however, pressures on economic resources have led to a reduction of financial resources allocated to the UAE universities and colleges despite large increases in the number of students enrolled within these institutions in recent years.

This study is an attempt to explore the awareness of strategic thinking within UAE HEI. The objective is to assess the effectiveness and efficiencies in using financial resources to accomplish institutional and governmental HE strategies in terms of linking the strategic planning and budgeting processes within universities and colleges.

The budgeting and accounting literature stresses the importance of strategic planning and its potentially key roll in the resource allocation and budgetary process within HEI (Conway and Yorke, 1991; Roberston, 1993; Clarke, 1997; Groves et al, 1997; HEFCE, 1998 and Pidcock 2001). The HEFCE study (1998), for example, has noted that, 'strategic plans provide us with valuable information on individual institutions and trends in the sector as a whole. We therefore, propose to retain the present arrangements but in a reduced and more targeted form. We have used the term corporate plans to reflect the change in approach'. This indicates that the fundamental starting point for the future direction of an organisation and the monitoring of its existing position is the corporate strategic plan as a vision within which all activities of that organisation can take place and develop.

Roberston (1993) has reported that, the structural changes in British universities have forced institutions to accept legal responsibility for financial

solvency. This has created organisations with a strong chief executive officer and a centralised planning system in each institution. Also, as funding is linked directly to student numbers, especially now that institutions compete for funds, the government has made institutional strategic plans mandatory. These plans must reflect the financial implications of the strategies developed. This further emphasises the link between strategy and budgetary plans, policies and procedures. Weakness in the budget process will at a minimum result in a failure to achieve targets and could have more serious consequences given this competitive environment.

Clarke (1997, 286) has indicated that, within a global environment, characterised by rapid change, intensive information flows and increasing competition through the reduction of barriers to trade and exchange HEI, particularly in the UK, are emerging as organisations driven by the commercial imperative of market-led forces. This further emphasises the need for a sound strategic planning process linked to good budgeting and budgetary control processes in a globally competitive market place which has seen the intensive competition envisaged by Clarke. Despite the importance of strategic planning for HEI, the literature indicates that there are many difficulties in translating the philosophy of strategic planning into practice in this environment, particularly, when these organisations attempt to use these concepts to develop their resource allocation and budgetary systems.

As indicated by Groves et al (1997), universities do not conform readily to the corporate model of strategy making, because the nature of their processes and products - teaching, research, consultancy and support services - is very different from the private sector models from which such processes and practices originally emerged.

Pidcock (2001) for example, has found that, within universities the awareness of the institutional mission is low, as is perceived staff involvement in strategic planning. Evaluation mechanisms had not been developed in the first year of operation after the announcement of HEFCEs' new requirements. The common view being that there is no link between strategic planning and the university's core business of teaching, learning, scholarly activities and research (or sound budgetary processes-See Clarke below).

As a result of these deficiencies in their strategic planning, resource allocation and budgetary processes, UK universities are now facing a critical situation related to the insufficiency of funds allocated to them by The Higher Education Funding Council. This situation has seen redundancies at various UK universities. Within Wales in 2003 merger proposals between institutions such as the University of Wales Institute Cardiff and the University of Glamorgan, and Cardiff University and the Welsh College of Medicine have achieved prominence in the education debate as these institutions come to terms with the new education environment.

In addition, Clarke (1997) has reported that strategic planning has not been related to the resource allocation and budgeting system within universities due to the lack of awareness of its application and misunderstandings of the links between the universities' available resources and its programmes.

The above deficiencies plus the changing financial climate for higher education institutions have necessitated calls for further studies of the link between strategic planning, resource allocation and budget processes (see for example, Roberston, 1993; Clarke, 1997; Groves et al, 1997 and Pidcock, 2001). These studies help stress the importance of this work.

In addition it has been shown that budgeting systems within public organisations, particularly universities and colleges are facing several critical problems. These include for example, the absence of clear and communicated strategies, plans and programme a lack of technically proficient and professional staff. In this respect the American Accounting Association (AAA, 1988) and Banker et al (1992) have indicated that, there are many causes for the lack of budgetary responsiveness to changes in strategies and environmental conditions. These include the long-lead time for budget preparation, absence of link between strategies and resource allocation, a lack of flexibility and doubts over the accuracy of budget information. These link with the issues identified in the first part of this paragraph.

Henderson (1997) has concluded that, most budget processes are inefficient as well as costly. Budgets are seen as lacking support from line managers, having poor communications of their assumptions, being time consuming and thus generating little value, and finally, making poor use of managers' experience and expertise.

CIPFA (1997b) has reported that, budgeting has several problems concerning behavioural issues, forecasting and inflation difficulties, government bureaucracy, legal impediments and potentially conflicting objectives.

In his study of Malaysian universities, Tayib and Hussin (2003) has found several problems associated with the budgeting systems of universities in that country. These include a lack of trained personnel, a limited capacity to handle data, an over-emphasis on technical aspects, inadequate support from higher authority within the universities themselves, a lack of compliance with budget procedures, insufficient facilities and a widespread belief among academics that financial performance is not important, and, finally, the setting of unrealistic (and thus unachievable) goals.

Other studies have exhibited other (and similar) budgeting problems, (Murby, 1995), lack of financial training and internal power struggles, (Haythornthwaite, 1996), budgetary inefficiency, (Chalos, 1997), an unsettled, untidy and unsatisfactory budget process (McCaffery, 1996), a lack of flexibility and poor reliability of budgets as used in accounting planning and control systems (Harbinger, 1997; Henderson, 1997; Hope and Fraser, 1997 and 1999; Bellamy and Kluvers, 1995; Fanning, 1999; McCaffery and Mutty, 1999; Arya et al, 2000 and Prendergast, 2000).

Clearly, the identification and diagnosis of these problems are vital if the effectiveness and efficiency of university financial management systems is to be improved. It can also be argued that economy of operation will also be improved for these institutions if these deficiencies are overcome. As CIPFA (1997b), Clarke (1997), Groves et al (1997), Henderson (1997), Piddcock (2001) and Tayib and Hussin (2003) all recommended, further research is needed to assess and evaluate the impact of contextual factors and strategies on the budgetary process within universities and colleges. This research aims to explore which managerial control and co-ordination mechanisms could enhance the deployment of resource allocated to, and within, these institutions if they are to meet their strategies and objectives and improve economy, efficiency and effectiveness. The literature, however, reflects widespread disagreement among researchers over the nature and impact of these different obstacles to the effective and efficient use of financial resources within the allocation and budgetary processes in HEI.

Accordingly, this thesis sets out to explore and assess the impact of strategic planning and personal and organisational factors on each phase of the budgeting process and the financial control systems within the UAE HEI as an additional contribution to knowledge in an international context. It also explores the

centralisation of financial decision-making within the HEI of universities and colleges in the UAE as a factor in the budget process and the impact of this factor on strategic planning. Finally, it highlights the practical problems associated with budgeting and budgetary control within these institutions in the context of strategic planning. As such it is hoped that the findings can lead to direct benefits in improved budgeting and strategic management practices within these institutions and act as an important information source to government and researchers in other countries.

### 1.3 Higher Education Institutions in the UAE

HEI in the UAE face difficulties in assembling enough resources to meet their objectives even against the background of a rapidly growing and rich economy. These financial difficulties have led to a proposed project to build a new United Arab Emirates University (UAEU) campus, approved in the early eighties at an estimated cost of 3.4 billions Arab Emirates Dirhams (AED) to be cancelled.

As stated earlier in this chapter these problems are not confined to the UAE but the following analysis provides comparative data on the allocation of gross national product (GDP) to HE for countries geographical comparable to the UAE. This shows that the UAE devotes the least amount of resources to HE as a percentage of its GDP as compared with other countries in the region (see Table 1.1).

**Table 1.1: A Comparative Analysis of Budget Allocation to GDP.**

Country	% of Annual GDP to HE	% of GDP Allocated to Education	Population 1994
UAE	0.6	2	2,387,000
Saudi Arabia	1.4	7	17,800,000
Kuwait	1.25	6	1,718,000
Bahrain	1.75	5	558,000
Egypt	1.6	5	62,000,000

Source: The Advisory Committee Report of Higher Education in UAE (ACRPHE, 1996)



A confidential report on Education Sector Assessment in UAE (UAEESA, 1994) and an unpublished report by The Advisory Committee Report of Higher Education in UAE (ACRPHE, 1996) identified that this level of funding was placing the UAE's policy of developing HE in jeopardy. The Advisory Committee's reports suggest that there were no serious strategies for taking into account external factors to the universities such as social, economic or political change in the development of HE in the UAE.

The report further indicated that such developments as did take place were ad hoc lacking a coherent strategy framework. In respect of the budget for universities the report called for a formula based system to allocate global resources as opposed to the then existing incremental approach but no further work has been carried out. Since this report was compiled no changes have taken place in the strategic planning of HE in the UAE.

The findings of the report are also supported by Minister of Higher Education in the UAE. Sheikh Nahayan Mubarak AL-Nahayan in his speech to the administrative leaders of UAEU dated 25/8/1998:

*"...The modes to raise productivity in the university are dependent on the preparation and execution of the annual budget. Crystallizing the priorities in the university and to target ways of conducting these priorities can do this. I would like to ask the budgeting committee to practice their duties in this direction and to set up tactics and procedures that will help the department and units to prepare a logical budget connected to the objectives which will lead to the allocation of resources in a competent way...."*

In the same context the State Audit Institution (SAI) in its 11<sup>th</sup> report 1996 also stated:

*"It is important to change the way the proposed budget is prepared and to make it a performance budget planned with specific*

*programme. These programmes should show all human, capital and financial resources required, in such a way as to help management optimise the use of resources to achieve detailed objectives for each programme in light of the strategic objectives of the country. Also, it is important to revise government accounting to enable it to measure the cost benefit from accomplished cost to becoming cost effective”*

The use of an incremental budgeting approach to allocate resources to these institutions indicates a serious absence of strategic planning, mission statements, and the objectives and priorities that could guide the resource allocation and budgetary processes within universities. Such a process could enhance the effectiveness and efficiency of the deployment of resources to meet the increasing demands on the services of these institutions as student numbers continue to grow.

These findings are consistent with Al-Sati (1981) who saw the absence of comprehensive state economic planning linked to social goals as having led to haphazard financial resource allocation by the Ministry of Finance and Industry (MFI).

Similarly, Ismail (1994) agreed with Al-Sati and advanced the view that the absence of a comprehensive development plan for the nation as a whole had caused a division between planning and spending. These authors have concluded that to date no study has sought to explore the link between strategic planning and the actual budgetary and resources allocation processes in the UAE.

In addition within HEI institutions, communication between the HEI central administration and its units (i.e. its distributed functions) and HEI departments is claimed to be poor. There is little evidence (given the lack of prior research) as to how the central departments are developing and enhancing resource allocation, the budgetary process and accounting planning and control systems within institutions.

There appears to be considerable centralisation, bureaucracy and documentation process and rules that created lack of employee's participation in setting objectives and participating effectively in budget process. Lack or absence of communications causes serious delay in providing relevant and useful financial information relevant to the performance of the budget and resources allocation within these colleges and universities. These views are supported by the experience of the author as a senior financial manager within the higher education system of the UAE. In the opinion of the author of this thesis the development of the processes of strategic planning and the linkages with budget allocation, planning and control within UAE HEI from this experience can be best described as stagnant. This argument is further developed in chapter two to update information from the earlier reports discussed above.

These deficiencies need to be addressed in a comprehensive systematic study that assesses and explores the linkages between the strategies, plans, programmes and resource allocation and budgetary processes within HEI of UAE.

In addition, a further examination of contextual, organisational and personal attributes needs to be undertaken in term of the effect these factors have on the strategy, resource allocation and budgets of HEI institutions.

#### **1.4 Objectives of the Research**

The research aims to identify whether the deficiencies noted in the literature in the preceding section exist within UAE HEI and the extent of such deficiencies. The research concentrates on the managerial unit within UAE HEI. A unit for the purposes of this research is defined an entity that has an identifiable managerial responsibility for budget preparation, monitoring and control and contributes to the operational and strategic planning process of the University.

It is intended to highlight the obstacles, problems and difficulties associated with the link between strategic plans and programmes and the budgeting systems adopted. Constraints affecting a unit's annual budget process, difficulties arising in the unit's budget preparation, problems associated with the reality of budget bids and the effectiveness of forms or manuals used to create or meet the budget's plans will also be explored. In addition the research will also attempt to discover the extent of discussions within the budget process, problems associated with funding and issues regarding the fairness of budget allocations and the implementation process. Finally power struggles and the attitude of staff towards the decentralisation of decision-making, and also difficulties of getting effective and timely financial reports will also be examined and reviewed.

In addition the impact of certain contextual, personal and organisational factors will be assessed in terms of their impact on the communication of strategy, plans and programmes, budget processes, centralisation of financial decision-making, and effectiveness of financial reporting systems of these HEI.

More specifically this thesis aims to;

- Identify the nature of strategic planning and programmes within UAE HEI and its relationships with the budgetary processes, the centralisation of decision-making and the financial control systems. Linked with these issues, it also attempts to assess the nature of difficulties associated with the budgetary planning and control process.

- Examine the extent to which the absence of any links between the clearness of, and communicating of HE strategies may have affected the resource allocation process and budgeting systems.
- Explore the methods used in budget allocation to discover the extent of fairness and sufficiency of resources allocation among units, departments and sections of UAE universities and colleges.
- Identify the main factors affecting budget implementation within each unit, department and section of the universities and colleges studied. This will include an assessment of any reasons for spending the entire budget in meeting the units, departments and sections requirements within a short period of time at the end of the year.
- Explore the link between the centralisation of financial decision-making and budgetary processes and constraints operating within universities and colleges. This includes identifying the causes of power struggles and any negative views held in a university's units, departments and sections by staff towards the centre in the budgeting and strategic management process.
- Examine the extent to which autonomy, power struggles and negative attitudes toward centralisation may have influenced budgeting processes.
- Explore the extent to which the internal financial reporting systems of these institutions are effective in providing timely, accurate and sufficient information to the university's financial decision-makers.

- Explore the link between both personal and organisational factors and strategy. It also explores the link between the same factors and the phases of budgeting, the component of reporting systems and the issue of centralisation within UAE universities and colleges.
- Draw conclusions and recommendations for both practising decision-makers within the UAE HEI and accounting researchers to help direct policy initiatives and future studies toward tackling the budgeting systems, resource allocation and their linkages with the strategic planning process and mechanisms.

### **1.5 Research Questions**

In conducting this type of practical and exploratory studies, the following questions are pertinent to the phenomena under investigation;

- How the strategy's clearness and its communication to different managerial levels within the institutions studied relate to and affect the resource allocation and budgetary process and the effectiveness of internal financial control systems?
- To what extent do the various dimensions of a university's strategies, plans and programmes affect the budgetary process, the effectiveness of internal financial control systems and, the extent of centralisation of the decision-making process?
- To what extent do personal and organisational factors affect the dimensions of university's strategy, plans, programmes, budgetary phases, financial reporting systems and centralisation of financial decision-making?

- What are the causes of any difficulties or constraints in the preparation of units, and the institutions, budget bill? In addition the study explores:
  - The extent to which the preparation of any unrealistic budget bids can be explained and why such a practice may have developed.
  - Whether the budget process is over complex and to what extent any over complicated budget preparation forms are used within each unit, department or section within each HEI.
  - Whether the university's staff and central administration consider any discussion of the units' budget bids as a waste of time and why.
- What are the current methods used in the budget apportionment process and why these are used. What are the main reasons for not allocating sufficient financial resources to each unit, department or section within each institution?
- What is the main impact of certain organisational and managerial factors on budget implementation in each institution? And what are the main methods currently used to improve (if any) the process of budget implementation.
- Are these institutions intending to spend their entire budget by the end of the year and why? What are the main reasons affecting the purchasing of the university's requirements in a relatively short period of time toward the end of the fiscal year if this practice exists?
- Are the financial control systems used by each university or college accurate, sufficient, timely delivered, and useful for decision-makers? What are the reasons for non-effective budget reporting?

- To what extent do the unit's autonomy, power struggle and negative views towards the unit's internal power affect strategy, plans, programmes, budgetary processes and reporting systems within each institutions of UAE?

This thesis will try to tackle the above questions by developing a systematic approach to the subject area. Chapter four sets out the methodology and practical analysis used in order to discover, assess and rectify any problems or issues which illustrate, difficulties and obstacles associated with the absence of any linkages between strategy, plans, programmes, resources allocation, budgetary phases and reporting systems within the UAE HE sector.

### **1.6 Significance of the Research**

As stated the present study represents an important exploratory, yet comprehensive and systematic attempt, to assess the nature of the linkages between strategic planning, resource allocation and budget planning and control systems within UAE HEI. Such links have been called for by many scholars in the areas of management accounting and strategic management (Roberston, 1993; Clarke, 1997; CIPFA, 1997a; Groves et al, 1997 and Pidcock, 2001). This thesis thus aims to add to the body of knowledge in what has been identified by previous researchers by providing a further international perspective.

In addition, the significance of this study could be strengthened from its intention to find remedies or rather suitable solutions to the difficulties, problems and impediments discovered as a result of absence of links between strategies and the budgetary process within HEI. This lack of a potential link has descriptively emerged in the way of diagnosing the budget problems of inadequate and insufficient funds assigned by the federal central government and the MFI to these institutions as



indicated earlier in this introduction and overview.

This study can be seen as an initial effort to explore such difficulties by diagnosing any problem and its causes as a way of improving the understanding of decision-makers to these issues. It will also draw attention to adopting alternative methods by managers in HEI. This can improve their effectiveness and efficiency in meeting their priorities, objectives, teaching and learning programmes, research and support activities. It could for example lead to introducing new training and specialised courses within a strategic planning and budget process that is improved as part of the implementation process.

Consistent with this thought, conducting detailed and effective strategic plans and programmes may help the federal government and the MFI to encourage UAE HEI to compete between each other according to the best financial budget bids and plans to meet their activities. This implies a development of an internal market for HE in the UAE. This could eventually improve the performance of these institutions and show value of money. This could raise the importance of this research from the decision-makers viewpoint as indeed the very survival of some of the institutions covered in the research could depend on significant improvements in the strategic planning and budget process being made.

Moreover, this study has highlighted several difficulties and obstacles associated with the deployment of the budgetary process and resource allocation systems identified by the literature. The relevant financial and accounting literature has shown that, these problems were mostly approached either in theoretical descriptive methods or small sample tackling very limited budgetary issues (Wildavsky, 1975; Cropper and Drury, 1996; Chalos, 1997; CIPFA, 1997a and 1997b

and Hope and Fraser, 1997). As will be seen in the later chapters this study attempts to look at a much wider number of institutions than these studies making the findings potentially more robust.

This study is thus a potentially important endeavour in examining comprehensively and practically various problems and obstacles facing the budgeting systems of UAE HEI. In addition, understanding these problems and difficulties and providing potential solutions to them may be of great benefit to these institutions over time in improving their effectiveness and efficiency in the deployment of the financial resources. This should also aid them improve their achievement of their current goals in the shorter term.

Further, the importance of this study can also emerge from the recent interest in this topic found in the literature. As can be noticed from the recent studies reported in the literature, such as, Clarke (1997), Groves et al (1997), HEFCE (1998), Pidcock (2001), and Tayib and Hussin (2003) an examination of strategic management thinking and techniques could be highly important improving the budgetary process and resource allocation.

Similarly, the importance of this study emerges from its attempt to link three important and different areas of knowledge, namely, strategic management, budgeting and HEI in the UAE. The limited exploration of the important linkages between these areas is not new and has been identified in the literature by (Robertson, 1983; Clarke 1997, and Pidcock 2001) over time as a cause for concern. It has also been required in the above literature that, there is a dearth of systematic studies of this type, which examine and assess the strategy, budgeting and resources particularly in developing countries, such as, UAE. As a result, this thesis is an important effort directed towards

filling this gap and finding solutions and managerial accounting planning and control mechanisms through which budgetary and resources problems can be rectified in the light of adopted strategies by UAE HEI.

This research will hopefully help the HEI to manage and control their financial resources equally effectively and efficiently in the most competent way. This has the potential to create a better environment for students together with better quality teaching, learning, support services and the better serving of the community.

Further more, the importance of this study emerges in its ability to potentially contribute to;

1. Helping central planning of the allocation of resources to HE in the UAE.
2. Creating a greater awareness of the need for strategic financial planning in HE.
3. Allow individual institutions to improve the formulation of strategic and budget plans.
4. Establish a coherent and defensible basis for decision making within a rational and coherent financial planning process.
5. Aid institutions to set up comprehensive, effective capital and revenue budgeting systems.
6. Allow the universities and colleges to control budgets through establishing better communication of the goals and objectives of these institutions.
7. Integrate corporate strategy within the budgeting system in HE to establish greater interaction in terms of connecting strategic goals and objectives to spending plans.
8. Create awareness of the importance of connecting outcomes in the implementation stage of strategy to mission and objectives and in the reformulation stage of strategic planning.
9. Assess the importance of cultural norms and behaviour in the budgeting process in a previously unexplored environment.

## **1.7 Brief Overview of Research Methods**

The sample of institutions used in the study was randomly chosen from public and private universities and comprises:

1. United Arab Emirates University (UAEU)
2. Higher Colleges of Technology (HCT)
3. Zayed University (ZU)
4. University of Sharjah (US)
5. American University of Sharjah (AUS)
6. Ajman University of Science and Technology (AUST)
7. Etisalat College of Engineering (ECE)

There are several reasons behind selecting these institutions as a sample and these are discussed in detail in chapter four.

The thesis collected its data by using several techniques including semi-structured interviews with a number of the key personnel in each institution. In addition interviews also included some federal governmental ministries and agencies that have direct or indirect impact on HEI policies including:

1. Ministry of Higher Education (MHE)
2. Ministry of Planning (MP)
3. Ministry of Finance and Industry (MFI)
4. State Audit Institution (SAI)
5. Federal National Council (FNC)

A questionnaire was sent to all universities and colleges senior executive managers such as heads of departments, sections and units in both academic and non-academic departments. The total number of respondents involved in this study was one hundred-fifteen. It is thought that the individuals identified to receive the questionnaire were knowledgeable with extensive managerial and accounting

experience directly related to the phenomena under investigation. The questionnaires were used to initially gain the basic information for this research.

Once this had been done the information discovered was utilised during semi-structured interviews conducted with the key respondents to establish their reaction to the issues raised by the research. The questionnaires were piloted and their reliability and validity were examined by using several statistical techniques (i.e., Cronbach Alpha coefficients, and inter-correlation matrices), as well as consulting with academics, specialists, and small sample of the intended respondents. This combination of questionnaires and, interviews effectively triangulated the data and helps overcome the inevitable limitations of questionnaires allowing more confidence in the findings.

The data collected was coded and several statistical techniques were conducted by using the SPSS programme. The frequencies distributions along with the means and standard deviations were used to describe the nature of the dimensions and problems associated with the budgetary process, strategies, plans and programmes, financial reporting and centralisation of decision-making. In addition, Pearson Correlations and multiple regression analysis were conducted in the examination of the cause and effect of the variables of interest in this study. It is believed that these techniques were suitable to the nature of phenomenon undertaken and are widely used in studies of a similar nature to this research. Discussions also took place with statistical experts to confirm this view.

## **1.8 Structure of the Research**

The present thesis has been divided into eight chapters including this introduction and overview.

The development of strategic planning, budgeting systems, resource allocation, and its associated problems within UAE HEI is the main concern of the second chapter. Additionally, a detailed explanation of the impact of the UAE's general cultural background and economic environment on educational development is analysed and discussed.

The third chapter consists of a review of the relevant management, accounting and financial literature associated with strategy, strategic planning, resource allocation and budgeting systems and their associated obstacles and difficulties, particularly within HE sectors in both developing and developed countries. It involves a critical review of the studies pertaining to the issues undertaken in this research.

The fourth chapter revolves around the methodology used in this inquiry. It contains, in detail, the research design, research model and assumptions, sample, measurements and questions of the dimensions used in this research. The data collection techniques and analysis, reliability and validity along with the statistical findings relevant to the description of the sample will also be reviewed and discussed.

The data presentation of this research will be reported and discussed in the fifth chapter. This includes the preliminary findings associated with the variables examined in this study, such as, strategic dimensions, constraints of planning and programmes preparation, obtaining and deploying plans and programmes, various budget phases, reporting systems and centralisation of financial decision-making. The data are presented in terms of frequencies distributions and Pearson correlations. This chapter will be used as a cornerstone to initially evaluate the nature of the factors and obstacles pertained to the strategies, plans and programmes, budgetary process, and reporting systems within UAE HEI. This chapter is also considered as the main base

for further analysis and the statistical techniques used in the examination of the theoretical model suggested in chapter four in this investigation.

Following this line of thought, chapter six is concerned with the statistical examination and reviewing of certain links suggested in the research model. This chapter provides certain conclusions relevant to the issues under investigation. Appropriate use is made of the interview data in chapters five and six.

The final chapter represents a brief summary of the major findings reported in this study as well as, during conclusions and recommendations for practising financial decision-makers within UAE HEI and academics in directing their research efforts toward more systematic and explorative studies of the same nature.

## **1.9 Summary and Conclusions**

The research represents the first attempt to examine in detail the strategic budgetary processes as affecting HE in the UAE. As such it has the potential to make a significant original contribution to knowledge in the field of study. It is seen as having the potential to contribute to the literature on general strategy, budgeting processes and, the behavioural and cultural influences on these processes. In addition the research has potential practical aspects in that the study examines current practices on strategic planning and budgeting and budgetary control at both the State and institutional level. This provides an opportunity to improve on current practices given the findings of this research. Finally, it may be possible for any lessons learnt as a result of this study to be disseminated within the region as other Middle Eastern countries face similar problems.

## **CHAPTER TWO**

### **UAE HEI: CONTEXT AND OVERVIEW**

#### **2.1 Introduction**

This chapter provides a background on the UAE covering environmental factors, the education system, resources allocation processes and the budgetary planning and control system. The chapter highlights the difficulties within HEI in UAE and represents the cornerstone in understanding the issues discussed in this thesis.

#### **2.2 UAE-General Background**

This section covers the general background to the UAE.

##### **2.2.1 The Country Location and Climate Condition**

The federation is comprises an area of 83,600 square kilometres and is bordered to the north by the Arabian Gulf, to the east by the Gulf of Oman and the Sultanate of Oman, to the south by the Sultanate of Oman and Saudi Arabia and to the west by Qatar and Saudi Arabia. A warm climate prevails during the day at an average temperature of 26C although this falls to 15C at night during winter. The temperature and humidity tends to rise in the summer months, between June and August. Even though UAE is a relatively new country it is considered a developed country due to its very efficient infrastructure (UAE Yearbook 1995).



### **2.2.2 Formation of the Federation**

Following the British termination of their agreements with the Trucial States (the name by which the area was formally known), several attempts took place to unite these emirates. In 1968, the rulers of Abu Dhabi and Dubai established an agreement to form a union. In 1969 nine rulers met together to establish a union which failed. On 2 December 1971, the federation of six emirates was established consisting of Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaiwain, and Fujairah. Ras Al-Khaima joined in 1972. The new federal state was officially entitled “*Dawlat al Imarat al Arabiyya al Muttahida*” which translates as the State of the United Arab Emirates.

### **2.2.3 Political System of UAE**

Since the establishment of the Federation in 1971, the seven emirates comprising the UAE have forged a distinct national identity through consolidation of their federal status and now enjoy a considerable degree of political stability. This has enabled the country to develop a modern administrative structure while ensuring that the best of the traditions of the past are maintained, adapted, and preserved.

### **2.2.4 Federal Constitution of the UAE**

Each of the component emirates of the Federation has its own institutions of government and these provide a basis for the effective governing of the State. The Rulers agreed to draw up a provisional constitution specifying those powers, which were to be allocated to new federal institutions, all others remaining the prerogative of the individual emirates

The Constitution assigned to the federal authorities under Articles 120 and 121 the responsibility of the new federation for foreign affairs, security and defence, nationality and immigration issues, education, public health, currency, postal telephone and other communication services, air traffic control and the licensing of aircraft. In addition, other areas specifically prescribed include labour relations, banking, and control of territorial waters and the extradition of criminals. Under Article 116 the Emirates can exercise all powers not assigned to the federation by the Constitution. This was also reaffirmed in Article 122.

### **2.2.5 The Federal Government System in the UAE**

The federal system of government consists of several bodies to run the country and includes the Federal Supreme Council (FSC), the Ministers Council (MC), a parliamentary body, the Federal National Council (FNC) and an independent judiciary, at the peak of which is the Federal Supreme Court.

#### **2.2.5.1 The Federal Supreme Council**

The Rulers of the seven emirates agreed during the process of federation that each of them would be a member of FSC-the top policy-making body in the new state. They agreed also that they would elect a president and a Vice-President from amongst their number, to serve for a five-year term of office. Sheikh Zayed Bin Sultan Al-Nahayan was the first President of the Federation.

The FSC is vested with legislative as well as executive powers. It ratifies federal laws and decrees, plans general policy, approves the nomination of the Prime Minister and, accepts his resignation. It also relieves him from his post upon the

recommendation of the President. The FSC elects the President and his deputy for five-year terms although both may be re-elected.

Historically on 20 May 1996, the FSC approved a draft amendment to the country's provisional Constitution, making it the permanent Constitution of the UAE. The amendment also named Abu Dhabi as the capital of the state.

#### **2.2.5.2 The Council of Ministers (The Cabinet)**

The CM or The Cabinet, described in the Constitution as the executive authority for the Federation, includes the usual complement of ministerial portfolios, and is headed by a Prime Minister chosen by the President in consultation with his colleagues on the FSC. The Ministers may be drawn from any of the Federation's component emirates although the more populace emirates have generally provided more members of each Cabinet.

#### **2.2.5.3 The Federal National Council (The Parliament)**

The FNC plays an important role in serving the people and the nation and consolidated the principles of *shura* (consultation) in the country. The FNC has both a legislative and supervisory role under the Constitution. This means that it is responsible for examining and, if it wishes, amending all proposed federal legislation. It is empowered to summon and to question any federal minister regarding ministry performance.

The FNC has 40 members drawn from the emirates on the basis of their population. The election of representative members is left to the discretion of each emirate and the members' legislative term is deemed to be two calendar years.

#### **2.2.5.4 Federal Judiciary**

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the FSC. The Judges decide on the constitutionality of federal laws and arbitrate on intra-emirate disputes and disputes between the federal government and the emirates.

#### **2.2.6 The Local Government System in UAE**

Parallel to and, on occasion interlocking with the federal institutions, each of the seven emirates has its own local government termed an Executive Council. In smaller or remoter settlements, the ruler and government of each emirate may choose a local representative to act as a conduit through which the concerns of inhabitants may be directed to government. Administration in the emirate is implemented by a number of local departments, covering areas such as public works, water and electricity, finance, customs and management.

#### **2.2.7 The Nature of the Relationship between Federal and Local Governments**

The powers of the various federal institutions and their relationship with the separate institutions in each emirate have evolved and changed since the establishment of the State. Under the terms of the Constitution the Rulers may, if they wish, relinquish certain areas of authority, prescribed as being the responsibility of individual emirates, to the federal government.

### 2.2.8 Population Development

UAE is considered as a small country in term of population. Table 2.1 shows the population growth. As can be seen from this table the UAE's population has witnessed a significant increase between 1968 and 2000.

In 2000, the population again increased to become 3.1 millions. In reviewing Table 2.1, the percentage of nationals (63%) was higher than the percentage of non-nationals (37%) in 1968. In 1975, the population percentage shifted toward an increase in non-national residents (64%) and a decrease in nationals (36%). In 1985, non-nationals comprised 72% of the total population and nationals only 28%. This indicates that the infrastructure of UAE depends mostly on non-nationals to handle economic activities and day-to-day operations.

There are several factors behind the increase in population and particularly of non-national residences. Firstly, the shortage of labour means the country opened up opportunities to foreigners to come and work in the oil fields. Secondly, economic boom and development in the country created more jobs. Thirdly, the accompanying services attracted incoming workers and created additional employment opportunities. Fourthly, the government encouraged nationals to increase their family size, thereby also increasing the population (Bu Shehab, 1984; Al-Suwaidi, 1993 and Al-Hadad (2001).

**Table 2.1: Population Development for Nationals and Non-nationals (1968-2000)**

Year	Nationales	National (%)	Non-nationals	Non-national (%)	Total
1968	114,033	63	66,193	37	180,226
1975	201,544	36	356,343	64	557,887
1985	290,544	28	751,555	72	1,042,099
1995	NA		NA		2,411,041
2000	NA		NA		3,108,000

Source: Statistical Bulletin, Ministry of Planning, UAE. (Several issues).

### 2.2.9 The Economic Background and Development

The UAE ranks among the ten richest countries in the world, according to the new system of calculating a nation wealth, introduced by the World Bank in 1995 (UAE Yearbook 1995). Table 2.2 shows that the percentage of the General Federal Budget (GFB) relative to GDP between 1990 and 2002 was within 9% to 13%. It is notable that the percentage of GFB comparing to GDP has shown a constant decline since 1996.

**Table 2.2: Development of GFB Comparing to GDP (1990-2002)**

Year	GDP	GFB	%
1990	125,266,000,000	15,645,190,000	12
1991	126,264,000,000	16,413,740,000	13
1992	131,676,000,000	17,376,900,000	13
1993	132,351,000,000	17,630,900,000	13
1994	136,268,000,000	17,617,200,000	13
1995	147,531,000,000	17,949,000,000	12
1996	175,800,000,000	18,254,200,000	10
1997	187,600,000,000	19,863,000,000	11
1998	177,400,000,000	21,393,000,000	12
1999	201,800,000,000	22,910,000,000	11
2000	258,000,000,000	23,117,300,000	9
2001	248,300,000,000	22,663,000,000	9
2002	256,900,000,000	23,156,000,000	9

Source: Central Bank of UAE (Several issues), Statistical Bulletin, Ministry of Planning, UAE (Several issues), GFB, Ministry of Finance and Industry, UAE (Several issues).

### 2.2.10 The Development of General Federal Budget

Table 2.3 shows that development of the GFB. In 1972 the first GFB allocated was only AED 210 million by 1990 this had raised to AED 15.6 billion, and by 2002 to become AED 23.1 billion an increase of 48%. Nevertheless the level of growth in the annual GFB has dropped some years as in 1994, 2001.

**Table 2.3: The Development of GFB (1972-2002)**

Year	GFB	% of Increase
1972	210,000,000	
1990	15645419000	
1991	16413740000	4.9
1992	17376900000	5.9
1993	17630900000	1.5
1994	17617200000	-0.1
1995	17949000000	1.9
1996	18254200000	1.7
1997	19863000000	8.8
1998	21393000000	7.7
1999	22910000000	7.1
2000	23117300000	0.9
2001	22663000000	-2
2002	23156000000	2.2

Source: GFB, Ministry of Finance and Industry, UAE (Several issues)

### **2.2.11 The Political and Economic Crises in the Region**

During and after the first Gulf War (1979-1988) and the second Gulf War (1990) the GCC countries including UAE, undertook to pay part of the war expenses, especially those incurred during the second Gulf War. Additionally, falling crude oil prices in the eighties and nineties pushed governments in the region to embark on extensive cost cutting exercises to reduce budget deficits. More recently, the crash in the Asian market and the ensuing economic downturn has had a negative impact on the region's economy. The third Gulf war of 2003 is also expected to have an even more negative impact on the political stability and economy of the region.

Even though the UAE economy is in a reasonable state of health compared to other GCC countries, the country has nevertheless been affected by the aforementioned crises. This has been apparent in the cancellation or postponement of several major projects planned to cut expenditure. The consolidated budgets of UAE have shown a deficit since 1982 (Al-Yousif, 1993). In addition, the GFB has shown several deficits in its actual against the budget for the years 1977,1978,1982-1986,

1989, and 1991 (Al-Shaheen, 1996) and the annual Federal Budgets 1992 to 2003 has consistently been issued with a deficit position (MFI, GFB 1992-2003).

### **2.3 The Strategic Planning Dilemma in the UAE**

The idea of strategic planning emerged when the nine Gulf States (seven emirates, Bahrain and Qatar) decided to establish a federal union at a Meeting held in Doha, October 1968. Several resolutions were made; include Resolution No. 11 of 1968 regarding the ratification of the Federal Council's recommendation relating to the appointment of an economic expert to investigate the economic and social situations of the Emirates in preparation towards formulating a comprehensive economic plan within a reasonable time table (Sharab, 1987).

This initiative, however, was not successful. Instead, the current federation consisting of seven Emirates was founded and paid considerable attention to strategic planning in term of establishing its institutions and issuing Federal Laws and Bylaws.

The first Federal Ministerial Council established with a Ministry of Planning (MP), for which Federal Law No. 1 of 1972, Article No. 13 stipulates the authority of the MP, as follows:

*“1. Formulation and control of plans for projects contracted, monitored and implemented at the Federal level.*

*2. Steering economic development through scientific planning and co-operation with relevant international organisations.*

*3. Preparation of economic studies and research.*

*4. Other jurisdictions commissioned by the Ministry upon stipulations of other statutes.”*



Federal Statute No. 3 of 1973, amended by Federal Statute No. 7 of 1994, Article 2 required the creation of the National Planning Council (NPC). Article No. 1 of this Statute stipulates the following:

*“A general and comprehensive and long-term plan shall be formulated for economic development and social advancement of the United Arab Emirates which includes environmental objectives for which all public and private national efforts shall be mobilised.”*

*The plan is divided into detailed mid-term stages and annual plans indicating all necessary programmes and projects required to steer the public activities of the state towards achieving the objectives of these programmes within the specified period.*

*The plan shall be considered as the basis of the State’s economic and social activity.”*

Nonetheless, the NPC has only met twice since its establishment in 1973, as indicated by the Deputy Minister of Planning during an interview with him held on 21 February 2001.

Federal Resolution No. 40 of 1973 covers issues relating to the Act of the MP, which was amended by Federal Resolution No. 40 of 1974. However, Federal Resolution No. 58 of 1994 was issued, which suspended Federal Statute No. 40 of 1974 relating to the powers and authorities of the MP.

The CM now approves the mode; procedure and timetable of preparation of the national comprehensive economic and social development plan since 1979 and this is supported by the FSC under Decree No. 1 of 1979.

In 1997, the Ministerial Resolution No. 18 of 1997 stipulates a revised jurisdiction of the MP as follows:

*“The Ministry of Planning shall undertake the preparation of the Bill for the Public Development plan, specify its stages and annual parts and all*

*projects, legislation and recommendations relating to it, in the light of the State's Public Strategy and in the light of the Ministry's studies and all other Ministries' suggested programmes and information."*

However, the MP experienced many constraints in preparing the country's national comprehensive economic and social development plan. The State Audit Institution (SAI) repeatedly pointed out, in its Annual Public Reports, the necessity of establishing a state comprehensive national plan (Reports No. Second (1981), Third (1985), Fifth (1990), Seventh (1992), Eight (1993), Eleventh (1996), Thirteenth (1998), and Fourteenth (1999))

In addition, the issue of strategic planning for the State's comprehensive development was on the list of the FNC Proceedings. The FNC referred to its importance and investigated the causes of its weaknesses and failures (Minutes of the FNC Meeting, 15<sup>th</sup> November 1977).

The FNC also summoned the MP on 29<sup>th</sup> November 1977 to discuss and investigate the constraints that have led to the absence of a state comprehensive strategic planning for development. During that meeting constraints affecting this process were seen raised as:

1. Absence of comprehensive national plans, because each member Emirate formulated its own plan.
2. Inadequate links between each Emirate's economic organisational structure and the Federal State's economic organisational structure.
3. Absence of co-operation between the various local governments and the MP.
4. Absence of information to help formulate the comprehensive plan.
5. Absence of the authority required by the Federal Government to formulate strategic plans.

6. Federal Government's lack of concern with strategic planning.
7. Local governments operate independently of the Federal Government.
8. Absence of the political will to formulate the State's comprehensive plan.
9. Absence of legislation regulating the planning process in the country.
10. Absence of co-ordination and economic planning at the national level, due to the competition among local governments.
11. Local governments' planning administrations operating in isolation from the Federal Government or the MP.
12. Local governments' complete independence from the Federal Government.
13. Economic independence of each Emirate and absence of unified income resources.
14. Absence of fixed financial resources for the Federal State, as the Federation is financially supported by one Emirate.
15. Substantial population increases, which constrained the planning process.
16. Absence of a technical apparatus for planning at the MP.

On the other hand, the FNC discussed the issue of finding appropriate solutions to resolve the problem of strategic planning for the State's comprehensive development, as follows:

1. Establish political will as represented by the FSC.
2. Establishing co-operation between the local governments and the Federal Government.
3. Merging local governments with the Federal Government politically and financially.
4. Contacting Rulers of the local Emirates in an attempt to merge local departments with Federal government departments.

5. Economic merger among the local governments.
6. Amending some of the Constitution's articles.
7. Arranging meeting between the FNC and the MC to discuss the issue of planning and forming a joint committee to report to the FSC.
8. Meeting the FSC in a joint session with the FNC to discuss the issue of strategic planning.
9. Unifying planning between local governments and Federal Government.
10. Harmonising the State's political situation and removing all barriers and borders in all aspects.
11. Formulating political, economic and social objectives for the State.
12. Establishing a clear federal policy for supporting the Federation's systems and economic institutions.
13. Submitting a recommendation to the MC in support of the MP.
14. The MP should co-ordinate with the local planning departments.
15. Establishing the minimum conditions for co-ordination with and planning for each Emirate and the Federal Government.
16. There should be comprehensive planning for all federal projects.
17. Local governments should comply with their financial commitments.

However, throughout the existence of the Federation, only one comprehensive national plan has been prepared, that is, the First Five Year Plan for the period 1981-1985. This plan, nonetheless, has been not sanctioned by the State. There is recognition for the necessity for and the importance of preparing the State's strategic and comprehensive plan (Deputy Minister of MP interview 19.2.2001 and member of FNC interview 22.2.2001 see chapter four).

The MP has recently has been required to approach federal and local government ministers, organisations, departments, and institutions inside and outside the country to seek their opinion regarding how a National Planning Committee should operate (MP letter dated 21.10.2000).

Nonetheless, despite the fact that, twenty-five years have lapsed since the FNC recognised the need for better planning the problem still exists. The issue of the State's strategic planning has been raised again at the individual level and government level. The FNC has called for re-opening the State's strategic planning dossier, by inviting the MP to attend the meetings of the FNC to address the Ministry's failure in preparing the State's strategic planning (Al-Ittihad Newspaper, (12.1.2002,p. 5), (19.1.2002, issue no. 9694, p. 1, 12), (21.1.2002, issue no. 9696, p. 1,12), and (12.3.2003, p.6-7) and Al-Khaleej Newspaper (3.1.2002, issue no. 8264, p. 1,3).

The absence of a satisfactory comprehensive strategic planning has affected the funding process and eventually resource allocation within UAE. This is the case, if one considers HEI. Due to the shortages of funding, UAEU has been established without proper identifies campus. The University has been suffering from the lack of a proper building and other educational facilities. In addition, the new campus, is still in the building stage, and will take another four to seven years to complete (UAE Yearbook, 2000/2001).

ZU was forced to open in 1998 despite the absence of a strategic vision to the HE system with the purpose of having more high school graduates in the country. To support this view the consultant to SAI noted this during the interview (19.3.2001) that the university was opened its doors in a strategic void.

The absence of a comprehensive national strategic planning has affected the way resources are allocated to HEI by MFI. An incremental budget endorsed annually without taking into consideration the considerable changing in the internal and external factors affecting HEI is used. This results in a strategy budget disconnection.

## **2.4 The Strategic Planning-Budgeting Review of HEI of UAE**

In the light of these problems, the thesis will now highlight certain studies. Firstly, PWE, (1984, 1987) conducted a qualitative, descriptive and explorative study of the financial affairs in UAEU. The study found that UAEU did not have any sort of formal objectives, priorities, strategies, plans, and programmes. In addition, no link was found between the strategy of HE resource allocation and budget preparation and implementation.

More specifically, it indicated that there were no clear strategies and objectives or even priorities or mission for the university to be used as guidance for the senior management and financial department to draw up effective plans, programmes and actions for both resource allocation and budgeting.

As a result of the lack of clear strategies and communication the financial department did not have any specialized role to play in preparing the budgets and the plans for resource allocation. Moreover, this study found unclear and no specified duties and responsibilities for the financial departments. This was due to the lack of organisational structures and job descriptions within the financial function of the university itself and shortages of the technical, financial and accounting skills required to manage such a function effectively.

PWE also reported that there has been a shortage in the financial resources allocated to the annual budget for HEI in UAE, despite the growth in oil revenues, and the national income, a greater demand for a locally skilled workforce and the need for a well-educated population. The study suggested that clear strategies, objectives, and plans were needed. In addition the report recommended devolution of power through decentralisation.

Secondly, the confidential report of the National Research Project for Manpower Development and Education Planning on the UAE Education Sector Assessment (UAEESA, 1994) highlighted several problems regarding planning and budgeting within UAE HEI. Among these problems were the absence of clear objectives and priorities to guide these institutions to achieve their objectives. This problem affected budgetary process and reduced the capacity of these institutions to develop norm-based budget procedures in HE. In addition, there appeared to be little budgetary planning during the Federal fiscal year (calendar year) and was not easily to reconcile with the cycle of an academic year. Financial allocations were reported to be sporadic. This resulted in delayed payment of bills, and higher vendor price. Furthermore, budgets were seen as extensions of the previous year programs. Deans and department chairs had limited roles in budget allocation, and little knowledge of the basis for budgetary decisions.

The reports suggested more capacity was needed to identify the data required to conduct budget analysis and assessment in a manner that made an effective link between strategic planning and budgeting control within these institutions. This study also put forward several recommendations such as; develop an improved database for economic analysis of educational issues, restructure educational budgets to allow for

non-personnel requirements, instituting norm-base financing and institutional research activities within MHE, developing an educational master plan to guide future investments and operations.

Thirdly, the report of The Centralisation and Decentralisation of the Expenditure Operation in the UAEU (UAEUCD, 1995) conducted by SAI was concerned with centralisation and decentralisation of expenses processes and budget performance within UAEU. This study reported that UAEU used only 8-10% of its total budget as a decentralised budget allocated to units. Budgets allocated mainly some general expenditures and fixed assets (furniture, computers etc). Salary and wages, 71-73% of the budget, were not decentralised.

The report indicated that reasonable power devolution and control beside wide involvement of managers was needed to improve the budgetary process and enhance strategic planning and financial performance.

Finally, The Advisory Committee Report for the Planning of Higher Education in UAE published in 1996 (ACRPHE, 1996) confirmed the above findings with regard to the strategic planning, resource allocation, and budgetary processes for the HE system in the UAE.

Specifically, the report indicated that, HEI did not have enough resources to handle the large numbers of local students enrolled every year, to recruit teaching and support staff, and to conduct the scientific research and consultancy work necessary for the growing economy.

In addition, the report demanded that the methods and procedures by which HEI budgets are determined had to be changed. Reasonable stability and predictability



in the funding of these institutions was mandatory if they were to develop and implement long-term plans to meet present and future challenges.

To conclude, the lack of a clear strategic vision and communication, together with no priorities and objectives have caused a funding crisis for HEI and their budgeting processes and controls.

## **2.5 The Budgeting System in the UAE**

The budget has an important role in accomplishing political, economical, and social advancement in all counties and particularly for developing countries such as the UAE. The budget is a device of development (Al-Shaheen, 1997a). Also the budget in UAE is a political process that reflects the political philosophy of the government as it fulfils its policies and objectives. Furthermore, political and managerial decision makers consider resource allocation for the Nation to accomplish gaols and projects. Also it is one of the tools used by a country's top political management to decide the goals and objectives needed to fulfil the political philosophy of the country (Al-Hussain, 1992).

### **2.5.1 The Statutory Position of the Budget System**

The Constitution manages the financial affairs of the Union with especial attention given to finance in Part Eight of the Constitution (Articles 126 to 136) as follows:

#### **2.5.1.1 The General Revenue of the Union**

Article no. 126 states:

*“The general revenues of the Union shall consist of income from the following sources:*

- 1. Taxes, fees and duties imposed under the Union in matters within the legislative and executive jurisdiction of the union.*
- 2. Fees and rates received by the Union in return for service provided.*
- 3. Contributions made by member Emirates of the Union in the Annual Budget of the Union in accordance with the later articles.*
- 4. Income from its own properties.”*

Also Article No. 127 states:

*“The member Emirates of the Union shall contribute a specific portion of their annual revenues to cover the annual general budget expenditure of the Union, in the manner and on the scale prescribed at the beginning of the financial year.”*

#### **2.5.1.2 Preparation**

Article No. 128 states:

*“The law shall prescribe the method of preparing the general budget of the Union and the final accounts. The law shall also define the beginning of financial year.”*

The Constitution in Article No. 60 Section 2 assigned the preparation of the annual GFB of the Union to the Council of Ministers.

#### **2.5.1.3 Discussion and Submission**

Article No. 129 states:

*“The draft annual budget of the Union, comprising estimates of revenues and expenditure, shall be referred to the Federal National Council at least two months before the beginning of the financial year, for discussion and submission of comments thereon, before the draft budget is submitted to the Supreme Council of the Union, together with comments for assent.”*

#### **2.5.1.4 Endorsement**

Article No. 130 states:

*“The annual general budget shall be issued by law. In all cases, where the budget law has not been promulgated before the beginning of the financial year, temporary monthly funds may be made available by the Union on the basis of one twelfth of the funds provided in the previous financial year. Revenues shall be collected and expenditure disbursed in accordance with the laws in force at the end of preceding financial year.”*

Article No. 47 section 2 of the Constitution assigned the sanction of the Annual GFB and the Final Accounts for the previous year to the FSC.

#### **2.5.1.5 Execution**

Article No. 131 states:

*All expenditure not provided for in the budget, all expenditure in excess of the budget estimates and, all transfers of sums from one part to another of the budget, must be covered by law.*

*In cases of extreme urgency, such expenditure or transfer may be arranged.”*

Article No. 132 states:

*“The union shall allocate in its annual budget a sum from its revenue to be expended on building, construction projects internal security and social affairs according to the urgent needs of some of the Emirates.*

*The execution of these projects and the disbursement thereon shall be drawn from these funds. They shall be accomplished by means of and under the supervision of the competent Union bodies with the agreement of authorities of the Emirates concerned. The Union may establish a special fund for this purpose.”*

#### **2.5.1.6 Control**

Article No. 133 states:

*“No Union tax may be imposed, amended or abolished except by virtue of law. No person may be exempted from payment of such taxes except in the cases specified by law.*

*Union taxes, duties and fees may not be levied on any person except within the limits of the law and in accordance with its provisions.”*

Article No. 134 states:

*“No public loan may be contracted except by a Union law. No commitment involving the payment of sums from the Union Exchequer in a future year or years may be concluded except by means of a Union law. “*

Article No. 135 states:

*“The final accounts of the financial administration of the Union for the completed financial year shall be referred to the Federal National Council within the four months following the end of the said year, for its comments thereon, before their submission to the Supreme Council for approval, in light of the Auditor-General’s report”*

Article No. 136 states:

*“An independent Union department headed by an Auditor-General who shall be appointed by decree, shall be established to audit the accounts of the Union and its organs and agencies, and to audit any other accounts assigned to the said department for that purpose in accordance with the law.*

*The law shall regulate this department and shall define its jurisdiction and the competence of these working therein, and the guarantees to be given to it, its head and the employees working in it in order that they may carry out their duties in the most efficient manner.”*

The Constitution states the role of the legislative authority of the FNC in

Article No. 89 as:

*“In so far as this does not conflict with the provisions of Article 110, Union Bills, including financial bills, shall be submitted to the Federal National Council before their submission to the President of the Union for presentation to the Supreme Council for ratification.”*

Article No. 90 covers the ratification of the annual budget FSC:

*“The Council shall examine during its ordinary session the Annual General Budget draft law of the Union and the draft law of the final*

*accounts, in accordance with the provisions in Chapter Eight of this Constitution”.*

Article No. 110 of the Constitution covers the drafting of laws affecting the GFB and the final accounts:

1. *Union laws shall be promulgated in accordance with the provisions of this Article and other appropriate provisions of the Constitution.*
2. *A draft law shall become a law after the adoption of the following procedure:*
  - (a) *The council of Ministers shall prepare a bill and submit it to the Federal National Council.*
  - (b) *The council of Ministers shall submit the bill to the president of the Union for his approval and presentation to Supreme Council for ratification.*
  - (c) *The president of the Union shall sign the bill after ratification by the Supreme Council and shall promulgate it.*
3.
  - (a) *If the Federal National Council inserts any amendment to the bill and this amendment is not acceptable to the President of the Union or the Supreme Council, or if the Federal National Council rejects the bill, the President of the Union or the Supreme Council may refer it back to National Council. If the Federal National Council introduces an amendment on that location which is not acceptable to the President of the Union or the Supreme Council, or if the Federal National Council decide to reject the bill, the President of the Union may promulgate the law after ratification by the Supreme Council.*
  - (b) *The term “bill” in this clause shall mean the draft which is submitted to the president of the Union by the Council of Ministers including the amendments, if any, made to it by the Federal National Council.*
4. *Notwithstanding the foregoing, if the situation requires the promulgation of the Union laws when the National Council is not in session, the Council of Ministers of the union may issue them through the Supreme Council and the President of the Union, provided that the federal Council is notified at its next meeting.*

## **2.5.2 Types of Budgets in the UAE**

Al-Yousif (1993) identified two budget types in the UAE:

- The GFB, covering the expenditures and revenues of the federal government but excluding any local government incomes and expenditures.
- The consolidated budget, which consists of the GFB, and the budgets of the seven Emirates.
- In addition to these two-types, there is a third type of budget that is the local government budget of each state.

This research concentrates only on the first type (General Federal Budget).

## **2.5.3 Types of Federal Budget in the UAE**

The Federal Budgets of the UAE has three components (Al-Sati, 1981).

### **2.5.3.1 The General Federal Budget**

The GFB is the budget of all federal government organisations. It includes Federal ministries and agencies and reflects their expenditures and revenues but does not include supplementary and independent budget.

### **2.5.3.2 The Supplementary Budget**

The supplementary budget is a separate budget from the GFB. It includes the revenues and expenditure on state public administration or any agency that does not have an independent jurisdiction and status. Rules relating to the GFB are applied to the supplementary budget as follows:

1. Its endorsement and announcement: that is, it should be endorsed by the Legislative Authority, and is announced by the same legal tool that announces the public budget. It is published in the same document as an appendix.
2. Supervision by the MFI: This supervision relates to the preparation of the supplementary budget, its final account statement and other aspects of supervision implemented by the MFI are other administrative units involved in the public budget process.
3. It observes the state's fiscal year system and the rules for closing the accounts.

### **2.5.3.3 The Independent Budget**

This budget for public administration is characterised by the following:

1. It is the budget of a public administration body having an independent juristic status, which is closely related to the concept of the public organisation.
2. Independent budgets are subject to the regulations specific to the organisation. Regulations for the GFB are not applied except with an unequivocal statement of agreement from the organisation.

Federal Law No. 6 of 2002 regarding the allocation of the GFB of the Union and supplementary and independent budgets mentions several organisation and institutions that have independent budgets. This includes three of the HEI which are the subject of this thesis - namely the UAEU, HCT and, ZU. The objective of supplementary and independent budgets is to attempt to give greater flexibility and independency (Al-Sati, 1981).

#### **2.5.4 The Characteristic of Federal Budget in UAE**

The GFB in the UAE uses a traditional budget method of line based budgeting or item budgeting (Ismail, 1991). This type of budget broadly concentrates on itemised expenditure. The objective of line base budget is to accomplish budgetary control of the expenditure to ensure that spending is done in according to executive and legislative authority. The line base budget does not help to encompass long term planning due to the absence of goals, objectives, and programmes (Al-Yousif, 1993). In addition, the line based system led to such plans as existed in UAE being weak and created a plan-budget-disconnection (Ismail, 1994).

Indeed the Minister of Education and Youth (MEY) described the financial system as weak and wasteful (Al-Ittihad Newspaper, 17-10-1999). Hence, MEY in their Education Vision 2020 (1999) stressed in using alternative means of budget preparation such as PPBS. SAI in its annual general reports since its establishment has continuously called for improvement of the financial system in the UAE, especially the budgeting system.

Consequently, the MC issued Decree No. 493/19 M in 1999 establishing a ministerial committee to advance recommendations for the improvement of the budgeting system. The MC issued Decree No. 631/1 of 2001, approving the committee recommendations of the plan for improving the financial system in the country. This included enforcement of a PPBS system within two years. Most recently, MFI issued its Financial Decree No. 4 of 2002 regarding the preparation of GFB for the year 2003. Article No. 4 of this Decree stressing the principle of financial planning and required all ministries and federal agencies to preparing their budgets within the framework of their objectives and programmes. However, today, PPBS



represents a new development of budgetary process and control within the governmental sector, since it matches project planning with the resources required to implement these projects. This system has been attempted by only a few ministries due to a lack of knowledge and experience of this budgeting system. The Decree however allows these few federal agencies to prepare their budget under both methods.

### **2.5.5 The Structure of the Federal Budget**

Federal law 14 of 1973 in Article No. 1 stipulates that the GFB structure consists of expenditures and revenues as follow:

*“The federal general Budget consists of all revenues that are expected to be collected and all expenditure estimated to be spent by the ministries and their agencies during the financial year. The financial year is twelve month, starting from 1<sup>st</sup> of January and ending by 31<sup>st</sup> of December of each year.*

Federal Law 14 of 1973 in Article No. 6 stipulated that the expenditure budget is allocated to ministries with the ministries consisting of departments. Article No. 7 stipulates that each ministry and its departmental budget consist of four chapters. These chapters consist of classified groups as follows:

#### **2.5.5.1 Chapter One (Salaries and wages)**

Chapter one is related to salaries and wages and any other benefits and rewards to the employees.

#### **2.5.5.2 Chapter Two (General expenditure)**

Chapter two is related to general expenditure and consists of consumable goods and services.

### **2.5.5.3 Chapter Three (Capital expenditure)**

Chapter three is related to capital expenditure on long lived assets.

### **2.5.5.4 Chapter Four (Projects)**

Chapter four is related to special projects. The chapter consists of the completion of existing special projects and new projects.

The four chapters consist of 191 items. This classification was criticized by SAI in its annual reports as not achieving the requirements of good planning and weakens the control over allocations (SAI, General Reports Numbers (2, 1981), (13, 1998), and (14, 1999). The ministerial committee for developing and improving the financial system agreed to reduce these items to 40 (Al-Bayan Newspaper, 14-6-2001).

## **2.6 Characteristic of HEI and its Structure in UAE**

The characteristic of HEI is similar to the Federal Budget in terms of using traditional budget practice - that is a line based budget. The endorsement of the general budget of the year 1981 in Article No. 16 of the Law stipulates that the general rules and regulations attached to this law are applied to supplementary and independent budgets when ever there is no specific text within its laws or budget statute.

Therefore, the Federal Law No. 14 of 1973 does not apply to federal HEI since these institutions are independent academic corporative bodies with legal capacity, independent budgets and their own Statutes and financial regulation.

As indicated earlier, the federal universities and colleges are independent institutions that are not under the jurisdiction of the Federal Law No. 14 of 1973. The

Federal Universities have been established according to Federal Law that give them a great deal of administrative and financial independence.

The UAEU was established by Federal Law No. 4 of 1976, followed by the publication of the Chancellor Decree No. 1 of 1979 relating to the Executive Regulations of this Law. The University Chancellor also published the Financial and Accounting Regulations in Resolution No. 54 of 1982. The Purchase and Sundries Regulations were similarly published.

The UAEU acted ahead of the rest of the federal universities in publishing the Accounting Classification Directory that was issued by the VC Decree No. 786 of 1995, relating to the organisation of the administrative and classification of the University Budget. This document developed the explanation of the budget articles, and merged them in a way that aimed to help prepare budget for plans and programmes.

The University has also acted ahead of other institutions in its experiment relating to the adoption of budget decentralisation since 1989, although this was adopted loosely. This was based upon the recommendations of the Report published by Price Waterhouse (PWE, 1984, 1987). Several resolutions and edicts have been issued relating to giving deans limited authority regarding purchases. Nonetheless, this experiment failed due to the absence of the appropriate mechanism for its implementation. Furthermore, financial expertise was lacking, and financial resources provided were inadequate. The SAI criticised the existence of both centralisation and decentralisation systems in UAEU and a study relating to this issue was published (UAEUCD, 1995). The Report of the Committee for Rationalisation of Expenditure also criticised the decentralisation system especially in the way resources were allocated.

The HCT were established by the Federal Statute No. 2 of 1988. The Federal Law No. 17 of 1998 was then issued relating to the re-organisation of HCT. The HCT completed their organisational and financial regulations, when the Chancellor President issued Resolution No. 55 of 1999 relating to the Financial and Budgetary Affairs Regulations, which include contracts, purchases, and stores.

ZU was established by Federal Statute No. 11 of 1999. However, its Financial Regulations have not yet been completed.

The Federal universities and colleges can be criticised on the premise of each having its own statute relating to their establishment. The SAI stated (Annual Report No. 7 of 1995) that the statutes and regulations relating to these institutions should be unified. This is the case for Saudi Arabia universities where one set of rules and regulations cover the financial procedure in all universities.

The Statute grants each university and college the right of administering funds and to deal with them in accordance with the rules and regulations formulated by the University/Colleges Council. The Statute substantiates, while organising the jurisdiction of this Council, this principle when it commissioned the Council with powers of formulating financial and accounting regulations. The University Statute attempts to offer the Universities the required degree of financial independence while at the same time achieving sound administration away from the central control of MFI.

Al-Sati (1981) mentioned some of several features of this independence:

1. The Statute commissions the VC with the responsibility of preparing the University annual budget. After the VC prepares the budget it is approved by the Council, then referred to the MC, the FNC and finally to the FSC before a law is published in a

similar way to the State public budget. Accordingly, the University differs from the State public budget regarding its procedures for preparation and approval of the budget but is similar to the extent of the rules for its approval and announcement.

2. The Statute grants the University the right of meeting its requirements through direct purchases or undertaking public tenders and commissioning work to contractors within the limits of its annual budget and in accordance with the rules specified in the executive regulations.

3. The University President and the Faculty deans are granted, each according to his jurisdiction, the power of moving funds from one clause to another within the budget and in accordance with the rules of the executive regulations. Transfer from one chapter to another is not allowed except by a resolution of the University Council.

4. The Executive Regulations transfer to the Financial Regulations issues relating to specifying the accounting system.

5. It authorises the University President the power to prepare the University's final account, to be referred to the University Council prior to presentation to the relevant agencies.

6. Some of the regulations relating to the purchasing limits set for the selection of contractors and the terms of the jurisdiction of the different administration levels.

7. The 'twelfth' principles adopted by the GFB does not apply the principle of continuation from the previous budget applies in the event of the announcement of the new budget being delayed. This undoubtedly offers flexibility and speed in accomplishing a University's works and projects.

8. The Regulations allow for moving the sums of concluded contracts whose effects exceed the allowance in a financial year into a deposit account such that any amounts due are paid in the following year and reimbursed in the financial year in which they have been cleared. This preserves the University funds without cancelling sums upon the conclusion of a financial year.

9. The Executive Regulations endorse an important financial principle when they stipulated the implementation of the rules of laws and financial regulations to the financial affairs of the University in certain situations. Where a clause is not provided in the Statute/financial regulations of the University State regulations are applied.

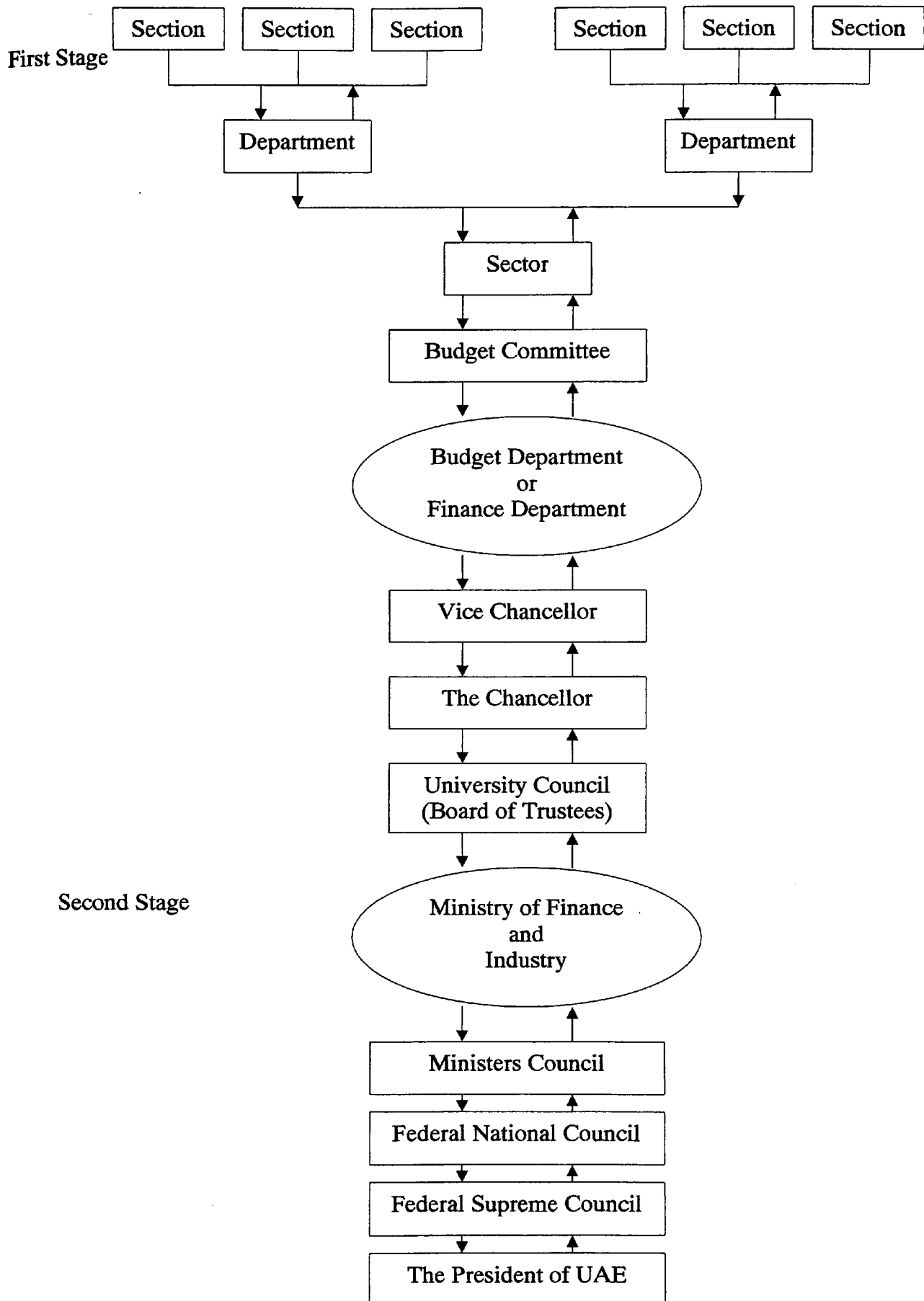
10. Universities are granted the right to open one or more bank accounts into which is deposited all revenues collected. Withdrawal should be made by cheques signed by the VC (or authorised individual acting on his behalf) and countersigned by the Director of Financial Affairs. This is in line with the principle of financial independence.

## **2.7 The Budgeting Cycle of HEI**

The budgeting cycle of each Federal HEI (UAEU, HCT and ZU) is identified in its Statute and is identical although, there are some differences in procedures. The budgeting cycle is also applicable to local government universities (AUS and US) however; the local government authority will endorse the projected budget.

There are two stages to the budgeting cycle in HEI. The first stage is internal process within the institution. The second stage is external process within the government bodies and concerns endorsement and announcement. Figure 2.1 has been devised by the researcher to show the budgeting cycle of HEI in UAE:

**Figure 2.1: The Budgeting Cycle of HEI in the UAE**



### **2.7.1 Internal Processes**

The budgeting cycle in UAE normally starts with a financial memorandum from MFI. The memorandum consists of short brief giving economical trends and changes. It is also includes general rules and guidance for budget preparation including the forms needed to be used when preparing the budget. These general rules and guidance however, does not specify any strategic plans and programmes to be included in the budget. Beside that the forms allow the use of only figures. The use of these forms is obligatory to all universities and colleges (Memorandum No. 6 (1994); Memorandum No. 6 (1996) and Memorandum No. 5 (1997) and is consistent with today's rules and regulations indicating stability over time.

Following the above, the preparation of annual budget within each UAE HEI starts with a memo from VC, which includes the rules and regulation of budget preparation.

The Finance or Budget Department send budget manuals to all units. The budget manual consists of general information of budget preparation such as budget indicators, rules and regulations, guidance and budget forms.

Initially heads of section prepare the budget. And heads of departments examine and review these with section heads.

The head of departments sends the budget then to relevant heads of sectors where they are discussed and reviewed with the head of department. It is then forwarded to the finance or budget department.

The role of Finance and Budget Department is to re-examine the proposed budget to ensure it complies with the rules and has followed the set guidelines. It is



then forwarded with a report to the Budget Committee (BC). The BC studies the proposal and then forwards it to the VC who approves it before despatch to the Chancellor to obtain final endorsement from the University Council before forwarding to MFI.

### **2.7.2 External Processes**

The second stage consists of the preparation stage, the endorsement stage, the implementation stage, control stage, and the final statement of accounts. These stages have been discussed thoroughly by (Al-Sati, 1981; Al-Naghi, 1984; Al-Sa'eedi and Abdul Rahim, 1987; Abu Sinn, et al. 1988; Ismail, 1991 and 1994 and Al-Shaheen, 1996)

#### **2.7.2.1 The Preparation Stage**

The authority responsible for the preparation of the budget bill (bid) is the Executive Authority, represented by the MFI or the MC in accordance with the law.

The preparation process of the budget starts with the MFI preparing a report on the size of the proper federal revenues, after contacting other federal ministries and agencies concerned. It has to finish preparing it by September before the beginning of the next financial year. The report shows revenues; the bases and types of various revenues, and compares them with the estimates of the previous year. Revenue estimation is based on the amounts of actual revenues, and this will be compared with anticipated expenditure.

Estimated expenditures are principally prepared by the each of the federal ministries and agencies, in accordance with the directives of the MFI which set out the

general rules, the detailed rules and the compulsory explanatory forms in this respect.

These directives often consist of the following general requirements and rules:

1. The budget bill must be endorsed by the Minister, or at least by the Deputy Minister.
2. The MFI reserves the right to ask for any necessary statements or explanations.
3. The necessity of referring the bill to the MFI in the format specified for each Ministry.
4. An explanation of the reasons for asking for the amounts required for any clause, and the justifications for any increase and, specifically, the aim of any increases.
5. Takes into consideration all funds committed by the Ministries that have not been able to be paid by 31<sup>st</sup> December, and also to be considered when estimating the funds for the following year's budget.
6. The Budget Department of the MFI undertakes the task of replying to the various ministries' queries relating to allocating certain expenditure to a specific clause.
7. Reviewing the pressure of the extent of existing expenditure (commitments) and excluding unnecessary and, as yet, un-incurred expenditures.
8. That the MFI will review, or abolish, certain expenditure clauses that are not necessary and do not affect the Ministry's measurement of performance.

The Ministries and other institutions including federal HEI present the MFI with their provisional estimation of expenditure during September before the beginning of the financial year. The MFI then discusses with each ministry and with

HEI these estimates of expenditures and revenues. The Committee for Planning and Co-ordinating New Projects assumes the determination of projects that shall be implemented during the financial year.

#### **2.7.2.2 The Endorsement Stage**

The endorsement of the budget is under the jurisdiction of the Legislative Authority as a control over the Executive Authority preparing and implementing the budget. The Legislative authority thus has ultimate budget decision making and approval powers.

Hence, the FNC has a consultative authority, whereby all bills of federal statutes, including the bill for the public budget, are referred to for discussion. It has the power to approve, amend, or reject them, but has no right of insisting on its opinion being accepted by the Federal President or the FSC, in accordance with Article No. 129 of the Constitution.

The FSC is the decision-making authority as all statute bills are referred to it for approval. Hence, a Statute issued by the Federal President undertakes announcements relating to the public budget.

Following the discussion above, the MFI prepares a report that presents the State's overall financial and economic position. A report is attached with the budget bill when presenting it to the MC to be sanctioned before the end of October of each year.

Later, the bill is referred to the FNC to discuss and indicate its observations at least two months before the start of the financial year before referring the budget bill to the FSC. In the event that the FSC rejects the bill, the Federation President or the

FSC can refer the bill back to the FNC. In the event that the FNC insists on its opinion, the Federation President can issue the State's Public Budget Statute after the approval of the FSC. The FSC has the absolute freedom to accept or reject the FNC's observations, in accordance with the clauses of Article No. 110 of the Constitution.

#### **2.7.2.3 The Implementation Stage**

After the federal budget decision is passed, the Budget Department of the MFI shall inform all concerned agencies of their budgets as sanctioned. It also informs them of the regulations that should be followed when implementing the budget; include the directives, rules, and legal clauses to be observed when the budget is being spent.

#### **2.7.2.4 The Control Stage**

More than one agency participates in the supervision process. These agencies cover financial audit and supervision in each Ministry in terms of checking that aspects of expenditure are undertaken legally according to the funds specified in the budget approval. The Head of SAI submits an annual report to the FNC of all the agencies subject to supervision. This report highlights any major disputes, fraud, negligence, and unauthorised overdrafts. The report is referred to the FSC and the MC.

#### **2.7.2.5 The Final Statement of Accounts Stage**

Each Ministry and HEI prepares its final statement of accounts of revenues and expenditures of the concluded financial year, and submits it to the MFI at a deadline not exceeding two months after the year has finished. In the final statement of accounts the total amounts each department has achieved together with under or

over-spending against the budget is reported. It also indicates the revenues that have not been collected and the reasons for this. The final account of expenditure also shows the funds for each of the budget clauses, and the amendments (virements) made during the year. It gives the actual expenditures of each clause and the reasons for the differences between the estimated funds and the actual expenditure. The MFI examines this information and the observations of the financial audit and prepares a report of its findings, along with a bill for the endorsement of the State's final statement of account, to be referred to the MC. This includes any observations made. The accounts are referred to the FNC within four months of the end of the year for discussion and observations before its referral to the FSC for its endorsement and passing by the Federal President.

## **2.8 Budgeting Constraints and Obstacles of the UAE**

Al-Sati (1981) mentioned several difficulties and constraints encountered through the budget process as follows:

1. Poor or lack of relations between the public budget and any plans.
2. Development plans can be characterised by overly high aspirations that lead to immense (but unrealistic) pressures for additional resources in the budget during its preparation.
3. Inadequate interest in the preparation of any economic feasibility study and setting of priorities or alternatives procedures for the selection of programmes and activities to be included in the public budget of administrative agencies and units.

4. Exaggeration by administrative units in estimating their funding requirements and the absence of precise working programmes which illustrates what they intend to do throughout the year for which they estimate the funds are needed.
5. Difficulty of forecasting precisely the estimations of revenues and public expenditures due to the changes in economic variables and the occurrence of unexpected events.
6. The MFI experiences difficulties in obtaining precise statistical data and information required for the preparation of the public budget bill in the appropriate timescale.
7. Some governmental accounting systems do not synchronise with the requirements for the preparation of the budget.
8. Recommended estimations of administrative units are sometimes received late by the MFI. This has resulted from the agency responsible for the preparation of the budget being under severe time pressure, and on many occasions leads a lack of precision.
9. Poor administrators specialised in the preparation of budgets in the Ministries and the MFI. This is due to shortages in efficient and competent staff. This can then be reflected in poor procedures for preparing the budget and in slowing down acceptance of any improvement in practices through resistance to adopting modern procedures and strict compliance to traditional procedures and practices.
10. Difficulty of adopting modern procedures for the preparation of the public budget.

Al-Shaheen (1996) also mentioned several obstacles in estimating the federal general expenditure of the UAE. For instance, it appears that there are no sound and scientific principles on which these estimations are based, such as plans, and programmes. Ministries and agencies intend to implement throughout the year for which these estimations are made. This made the financial situation in the federal ministries a form of delusion. This is mostly characterised by exaggeration, and forces the MFI to work rather hard to decrease these estimations in order to achieve a balance of the budget, on the one hand, and, on the other, to reduce ultimate expenditure.

In addition, that the majority of ministries and agencies do not comply with deadlines for presenting their provisional expenditure estimations during September. The MFI itself is not working to a clear scientific basis to reflect on its behaviour, as it mainly depends in its decisions on the financial provisions of the previous year without checking or measurement of the accuracy used for these provisions. This is reflected negatively in the federal budget whereby some ministries obtain estimated provisions exceeding their requirements, whereas other ministries presenting reasonable estimations made by deprived of funds.

There are also no regulations that control this except the agreement with the MFI about the figures. Accordingly, the skills of negotiation and compromise have become the standard of administrative competence and ability. Therefore, the federal public budget figures do not reflect on the logic of actual needs, but follow the “political weight” of the various ministries and administrations. This is in part attributable to the absence of specialist administrators who can determine what tasks

and programmes within the Ministry should be achieved in the coming year, in the light of the decided objectives and policies.

In addition, the MP is not capable of undertaking its role as a planning agency concerned with the study of projects and arranging them according to priorities and feasibility. This has contributed to inflating the public expenditure, particularly current expenditure, due to the fact that the Civil Service Commission does not play its role in determining the manpower plan required through its studies and suggestions for the estimations of the first chapter relating to salaries and wages. This chapter has experienced increased inflation, which reflects growth of the governmental workforce sector.

## **2.9 Difficulties in Adapting Modern Budget Procedure**

Al-Sati (1981) has stated the difficulty of adopting modern budget procedures in the UAE for the preparation of the public budget as being due to the following reasons:

1. Unavailability of the required data and information in time and in the required format.
2. Absence of a modern financial control system.
3. Unavailability of adequate qualified staff for preparing data and undertaking analysis.
4. Poor co-operation and co-ordination between the State's various administrative arms and the division specialised in the preparation of the budget within the MFI
5. Difficulty in measuring certain activities of work.



However, he also brought up several possible steps in reforming the budget preparation process:

1. It is necessary to formulate a comprehensive development plan and to strengthen the relationship between this plan and the public budget in such a way that the plan gives a long- or medium term perspective. The budget can then be perceived as an annual, short-term plan that provides harmony and co-ordination between the procedure of preparing and implementing the plan and the procedure for preparing the budget.
2. Establishment of a centre for economic and financial statistics that develops modern and accurate planning procedures that provides standards, for the preparation of both the medium and long-term plan and the budget.
3. Raising the professional standard of staff specialised in the preparation of the budget and the plan, and training them in modern techniques.
4. Reviewing financial and accounting systems implemented in the UAE in a way that provides harmony and co-ordination between the plan and the budget.

## **2.10 General Background of Education and HE in UAE**

This section of the thesis will reviews the development of the HE system within UAE in its context. This in its context will be followed by explanation of HE budget development and actual expenditure of Federal HEI.

### **2.10.1 Historical Background of Education in UAE**

At the turn of the twentieth century until the early fifties, some merchants established a few schools. These schools were informal and traditional, teaching the Quran, Arabic, Islamic studies and handwriting. Very few schools were teaching basic

mathematics. In the late fifties and sixties a few public school were established in each emirate by rulers with the help of several Arab countries such as Kuwait, Qatar, Saudi Arabia, Jordan, and Egypt (Al-Qassimi, 1997). After the federation, the constitution placed education under the auspices of the federal government authority. The main challenge of the government was to fight illiteracy. In 1968, 79% of the population was illiterate and a major campaign commenced to substantially reduce this problem such that by 1993 only 16.8% of the population remained illiterate (UAE Yearbook, 1995).

### **2.10.2 The Development of Public Schools in UAE**

School numbers have increased with the increase in students. Table 2.4 shows the development in the public schools. In 1953 /54, there was only one public school for boys. When the federation was established in 1971, the total number of schools was 61. After ten years (1980/1981), the total numbers of school had grown to 283 an increase of 464%. In the year (2000/2001), the total numbers of public schools had increased to 728.

**Table 2.4:** Development of Public Schools in UAE (1953/54) - (2000/2001)

Year	Boys	Girls	Mixed School	Total Schools
1953/54	1	0	0	1
1960/61	16	4	0	20
1970/71	37	27	2	61
1980/81	136	115	32	283
1990/91	222	220	57	499
2000/2001	321	308	99	728

Source: Ministry of Education and Youth (Several issues)

### **2.10.3 The Growth of Students in Public Schools**

Table 2.5 shows that in the year 1953/54 were only 230 boys in school. When the federal government was established in 1971, the total number of public students

was 27,745 of which 16,850 were boys and 10,895 were girls. In 2000/2001, the total numbers of students grew to 318,225, of which 157,290 were boys and 160,935 girls. This growth places pressure on higher education to provide an onward route.

**Table 2.5: The Development of Students in Public Schools in UAE  
(1953/54) - (2000/2001)**

Year	Boys	Girls	Total
1953/54	230	0	230
1960/61	3194	722	3916
1970/71	16850	10895	27745
1980/81	58100	50742	108842
1990/91	128303	129470	257773
2000/2001	157290	160935	318225

Source: Ministry of Education and Youth, Statistics Book (Several issues)

#### 2.10.4 The Education Budget

Table 2.6 shows the development of the MEY Budget from 1990 to 2002. The education budget grew by almost 80% from 1990 to 2002. The annual MEY budget is equivalent to 14% to 17% of the total federal budget. However, it is less than 2% of GDP.

**Table 2.6: The Development of the MHE Comparing to GFB and GDP (1990 – 2002)**

Year	GDP	GFB	ME	% of GDP allocated to MEY	% of GFB allocated to MEY
1990	125,266,000,000	15,645,419,000	2,172,412,000	2	14
1991	126,264,000,000	16,413,740,000	2,335,588,000	2	14
1992	131,676,000,000	17,376,900,000	2,460,426,000	2	14
1993	132,351,000,000	17,630,900,000	2,456,531,000	2	14
1994	136,268,000,000	17,617,200,000	2,570,829,000	2	15
1995	147,531,000,000	17,949,000,000	2,702,135,000	2	15
1996	175,800,000,000	18,254,200,000	2,806,127,000	2	15
1997	187,600,000,000	19,863,000,000	3,120,083,000	2	16
1998	177,400,000,000	21,393,000,000	3,207,150,000	2	15
1999	201,800,000,000	22,910,000,000	3,285,905,000	2	14
2000	258,000,000,000	23,117,300,000	3,615,905,000	1	16
2001	248,300,000,000	22,663,000,000	3,720,905,000	1	16
2002	256,900,000,000	23,156,000,000	3,928,905,000	2	17

Source: Ministry of Finance and Industry, UAE, (Several issues); Central Bank of UAE (Several issues); Ministry of Planning, Annual Economic Reports, UAE (Several issues)

### 2.10.5 High School Graduates

Table 2.7 indicates that the percentage of local students between 1990/1991 (4,528) and 1999/2000 (12,331) in HEI increased by 272%. In the same time the percentage of non-local students between 1990/1991 (3,311) and 1999/2000 (7,523) increased by 227%. The table also illustrate that the local female students are in excess of males in both art and scientific courses. This continuous increase of graduates from high school requires the Federal Government and particularly MHE to have a master plan to focus all HE resources (c.f. UAEESA 1994) and indicates increasing and growing pressures on financial resources.

**Table 2.7: Development of Students Graduated from High School (1990/1991) - (1999/2000)**

Years	Local Student				Total	Non Local Student				Total
	Arts		Scientific			Art		Scientific		
	M	F	M	F		M	F	M	F	
1990/1991	1037	1849	718	924	4528	385	581	1273	1072	3311
1991/1992	1241	2228	755	1069	5293	413	637	1391	1200	3641
1992/1993	1431	2681	928	1324	6364	477	764	1453	1227	3921
1993/1994	1340	2670	1000	1339	6349	505	741	1449	1222	3917
1994/1995	1822	3226	1147	1724	7919	675	852	1717	1458	4702
1995/1996	2050	3586	1171	1630	8437	690	990	1799	1619	5098
1996/1997	1856	3702	1437	1939	8934	706	1024	1966	1705	5401
1997/1998	2625	5046	1295	1858	10824	1093	1446	2154	1936	6629
1998/1999	2961	5192	1505	2128	11786	1094	1548	2412	2139	7193
1999/2000	3376	5350	1308	2297	12331	1278	1659	2306	2280	7523

Source: Statistics and Documentation Section, Ministry of Education and, UAE, (2002)

### 2.10.6 Prediction of Higher School Gradates in Coming Ten Years

Table 2.8 also shows that the total number of local high school students will reach to 36,694 in 2009/2010. At the same time, non-local high school students will reach to 18,759. This will question whether the public and private HEI will be able to accept these graduates. According to the National Admissions and Placement Office more than 80% of national students who graduated from high school in 1999 took up

a place in HE in September 1999 of which, 90% of female students, and 73% of male counterparts commenced courses at the federally funded HCT, ZU and UAEU. (www.uae.gov.ae/Government/education, 3.4.2003).

In his study, Ammar (1993) stressed that indicators of general education correlate closely with entry to HE. He mentioned that high schools graduates are output of general education and at the same time it is the indicator of HE input. The indicators of HE output are potential indicators of a quality educated labour market. This again stresses the importance of strategic planning for HEI.

**Table 2.8: Prediction of Public High School Graduation (2001/2002) - (2009/2010)**

Years	Local Student					Non Local Student				Total
	Arts		Scientific			Art		Scientific		
	M	F	M	F		M	F	M	F	
2001/2002	3886	6051	1408	2555	13900	1475	1874	2468	2483	8300
2002/2003	4472	6843	1515	2843	15673	1702	2117	2641	2704	9164
2003/2004	5148	7740	1630	3163	17681	1963	2391	2826	2944	10125
2004/2005	5925	8753	1755	3518	19951	2266	2701	3025	3206	11198
2005/2006	6820	9900	1888	3914	22522	2615	3051	3237	3492	12395
2006/2007	7849	11196	2032	4354	25431	3018	3446	3464	3802	13730
2007/2008	9035	12663	2187	4844	28729	3482	3893	3707	4141	15223
2008/2009	10399	14321	2354	5389	32463	4019	4397	3967	4509	16892
2009/2010	11969	16197	2533	5995	36694	4637	4967	4245	4910	18759

Source: Statistics and Documentation Section, Ministry of Education, UAE, (2002)

## 2.11 The Historical Background of HE in the UAE

Formal education in the UAE started relatively late in the country comparing to other countries in the region. This section sets this development in context.

### 2.11.1 Higher Education Prior to the UAE Federation

Prior to establishing the federation in 1977 there was no form of HEI in the country. The only source of any HE opportunity was through receiving a scholarship from another Arab country. As regards the provision of education opportunities, most credit goes to Kuwait State as it sent several UAE students to Egypt for HE before

opening its own university. After the opening of Kuwait University in 1966, Kuwait granted further scholarships to UAE students to study there. Besides Kuwait, Egypt granted a few scholarships to students who went there at their own expense. Iraq and Syria also granted scholarships to several students. Britain also granted a few scholarships to UAE citizens. After 1966 when Skeikh Zayed became the incumbent ruler in Abu Dhabi, many students were granted external scholarship to Arab and non-Arab countries to receive higher education (Al-Shaheen, 1997b).

### **2.11.2 Higher Education after the Federation**

Article No. 17 of the UAE Constitution assigned responsibility for education to the federal government agencies. The Article stipulates that:

*“Education shall be a fundamental factor for the progress of society. It shall be compulsory in its primary stage and free of charge at all stages, within the union. The law shall prescribe the necessary plans for the propagation and spread of education at various levels and for the eradication of illiteracy.”*

The MEY at the first stages of the union (prior to establishing MHE) was responsible for granting external students scholarship. The responsibility of HE was assigned to MHE after its establishment in 1990.

Beside MHE there are several governmental agencies granting UAE nationals external scholarships. These include the Abu Dhabi Investment Authority, UAEU, HCT, Adnoc (one of Abu Dhabi leading oil companies), Ministry of Defence, Ministry of Interior Affairs, ETISALAT (Emirates Telecommunications Corporation), and some of the Supreme Council offices (Al-Shaheen, 1997b and Al-Suwaidi, 1998).

The federal government established a priority to create national federal universities and colleges produce educated trained manpower. It also wished to create opportunities for national students (especially females) to continue to receive further

studies in the country. The efforts of federal government succeeded in establishing its first university (UAEU) in 1977. Beside that, some local governments later established their own HEI. In addition, the private sector established several institutions to fulfil the need of HE mainly for non-national students.

### **2.11.3 Ministry of Higher Education**

With the high and growing demand for HE in the country in the mid eighties the government decided to establish the MHE in 1992 to supervise these institutions Al-Suwaidi (1998). Hence, Federal Law No. 4 of 1992 established the Ministry. Among its many responsibilities, the Ministry is the administrative coordinating agency for HE, promotes the awareness of HE issues across the Emirates, advocates for the funding of HE, coordinates through a number of specially established departments important aspects of the HE sector and plans and manages scientific research. Article 2 of Federal Law No. 4 of 1992 defines the scope of HE.

*“By higher education is meant under the provisions of this law, every regular course of study, theoretical, practical or applied, with a duration of not less than one year following the General Secondary Education Certificate or its equivalent, and leading to an academic or higher degree”*

Since its formation, this Federal Ministry has been under the leadership and direction of His Excellency Sheikh Nahayan Mubarak Al-Nahayan who is also the chancellor of UAEU, HCT and ZU.

### **2.11.4 The Duties and Authorities of the MHE**

Article No. 4 of Federal Law No. 4 of 1992 defined and determined the duties and responsibilities of the MHE as follows:

1. To establish the general planning of HE and research, including its type, size, range, levels, demographic distribution, utilities and methods of development and to propose any laws required to fulfil this objective.
2. To license accredit and supervise private HEI within the general planning of HE.
3. Propose laws to establish public HEI and sponsor research within the general plan for HE.
4. Create, accumulate and co-ordinate between budgets related to federal government HEI and scientific research.
5. Create, accumulate and co-ordinate within HEI courses programmes and certificates and degree awarded within the general plan of HE.
6. Create co-ordination in enrolment policies and promote standards among different courses and fields to suit the needs of society.
7. To acknowledge foreign HEI and accredit their certificates.
8. To set up a general policy of scholarships abroad and to pursue its affairs in the country and abroad to suit the needs of society and the courses offered by HEI in the UAE.
9. To develop research institutions and transfer technology.
10. To coordinate between HEI and research centres from one side, and between HEI and general education on the other.
11. Co-ordinate with other ministries, governmental agencies and private sector institutions to participate effectively in learning, training and research which will encompass the general development objectives of the State.
12. To participate with other ministries and agencies to set up a license system for any practice requiring a HE qualification.



### **2.11.5 Major Problems Facing HEI in UAE**

Quassim and Al-Mottawa'a (1980) and Mostafa (1992) pointed out several views of strategic planning and problems facing HEI. A confidential report to which the researcher was given access, The Report of National Research Project for Man Power Development and Education Planning, (United Arab Emirates Education Sector Assessment) UAEESA (1994) specified several problems facing HEI in the UAE.

SAI in its report The Centralisation and Decentralisation of the Expenditure Operation on the United Arab Emirates University (UAEUCD, 1995) and, its annual report No. 10 of 1995 specifies some of these problems.

His Highness Sheikh Dr. Sultan Mohammed Al-Qassimi, Supreme Council Member, Ruler of Sharjah in his speech during the opening ceremony for the American University of Sharjah in 1997 also pointed out some of these problems. He mentioned that great obstacles' facing the establishing of HEI and that financial cost is one of these obstacles.

Consistent with these views several major problems face UAE HEI as follows:

1. There were no serious strategies taking into consideration social, political, and economic changes, which have led the State to manage HE in a haphazard manner.
2. Centralisation of management had caused great tension and mistrust in the institutions.
3. All HEI ruled by several financial and administrative laws and bylaws that cause difficulties in testing its accountability and difficulty in finding comparable performance indicators for all institutions.

4. The uneven distribution of power between the authorities through all levels of HEIs has caused a lack of communication and poor motivation.
5. There was a lack of locally trained leadership to lead these institutions as compared to non-local leaders among academic and non-academic staff.
6. A shortage of sufficient and efficient facilities existed including buildings, equipment, and services.
7. Lack of long-term predictions regarding future trends in HE and measurement of students expectations was missing. This requires long-term planning to fulfil any changes in status and any government commitment to support any proposed plans.
8. There is no independent funding agency for HEI. All funding was allocated directly from the MFI. An independent specialist agency was seen as essential to understand the needs of HE.
9. There was no practical generator of major self-financial resources to support these institutions.
10. Weak relationship with society and the economy to fulfil the country's policies.

#### **2.11.6 Types of HEI in the UAE**

There are five types of institutions in the country namely, federal government institutions, local government institutions, quasi-government institution, military institutions and private institutions. All universities and colleges are required to acquire a license and get their programmes accredited by the MHE with the exception of federal institutions.

#### **2.11.6.1 Federal Government Institutions**

These federal institutions are open to the public free of charge and supported completely by the Federal government. There are three federal government institutions as follow:

1. United Arab Emirates University
2. Higher Colleges of Technology
3. Zayed University

#### **2.11.6.2 Local Government Institutions**

Local government institutions are those institutions that were established and funded by local government in each Emirate such as:

1. University of Sharjah
2. American University of Sharjah

#### **2.11.6.3 Quasi-Government Institutions**

Are those institutions are run and funded by commercial organisations in partnership with the government. Etisalat College of Engineering of Emirates Telecommunications Corporation is such an example.

#### **2.11.6.4 The Military Sector Institutions**

These institutions have a military and police context. The country has several institutions in this sector:

1. Zayed Second Military College
2. Khalefa Air Force College
3. Navy College
4. Police College
5. Dubai Police College
5. Sharjah Police Academy

#### **2.11.6.5 Private Institutions**

Private Institutions are those institutions that are established and funded by the private sector. There are three types of private institutions. The first one is a self-contained institution. The second type is those institutions functioning under agreements with foreign institutions (UAEESA, 1994) and the third type is the endowment institutions.

##### **2.11.6.5.1 Self-Contained Institutions**

Self-contained institutions are private institutions established and based in the country and funded by the private sector such as:

1. Ajman University of Sciences and Technology
2. Dubai Medical College for Girls
3. Dubai Pharmacy College
4. Dubai University College
5. The Emirates Academy of Hospitality Management

##### **2.11.6.5.2 Non Self-Contained Institutions**

Non self-contained institutions are those institutions, which work in collaboration with other international institutions such as:

1. The American University in Dubai
2. Dubai Aviation College
3. The University of Wollongong
4. Al Ghurair University

#### **2.11.6.6 Endowment Institutions**

Endowment institutions are those charity institutions, which are run and funded by individuals. The Islamic and Arabic Studies College is such example.

#### **2.11.7 The Development of HEI in UAE**

The following section will review the development of HEI in UAE. This review includes coverage of history growth in student numbers, budgetary changes and the changing cost of students in HEI.

Furthermore, this section will cover the developments and trends regarding three federal institutions namely UAEU, HCT, and ZU. The reasons for choosing these institutions are related to size since these institutions enrol more than 80% of national students. In addition information is documented (although difficult to obtain) although only partly published which allows limited comparisons to be made.

#### **2.11.8 Student Growth in HEI**

Table 2.9 shows that in the year 1977/78 were only 502 students when the first federal government university (UAEU) was established. The total number of students has grown to 34,464 by 2002/2003. In 1990/91, the total student number in HE was 10,772. This represents an increase of 320%. The average annual percentage of increase in students between 1990/1991 and 2002/2003 was 12%.

**Table 2.9: The Development of Federal HEI Students (1977/78) - (2002/2003)**

Years	Students Numbers			TOTAL	% of Increase
	UAEU	HCT	ZU		
1977/78	502			502	
1978/79	1029			1029	105
1979/80	1758			1758	71
1980/81	2646			2646	51
1981/82	3584			3584	35
1982/83	4562			4562	27
1983/84	5528			5528	21
1984/85	6466			6466	17
1985/86	7248			7248	12
1986/87	7849			7849	8
1987/88	7306			7306	-7
1988/89	7223	239		7462	2
1989/90	7740	653		8393	12
1990/91	9434	910		10344	23
1991/92	9635	1137		10772	4
1992/93	9867	1215		11082	3
1993/94	10230	1743		11973	8
1994/95	11731	2324		14055	17
1995/96	12902	4176		17078	22
1996/97	14259	5264		19523	14
1997/98	14997	6682		21679	11
1998/99	15506	8223	1131	24860	15
1999/00	15401	9740	1613	26754	8
2000/01	15600	11477	1866	28943	8
2001/02	16990	12235	2225	31450	9
2002/03	17831	14388	2245	34464	10

Source: UAEU, HCT and ZU

### 2.11.9 The Development of the HE Budget

Table 2.10 shows that the first budget allocated to the HEI in 1977 was a little over AED 64 millions. The budget developed to become AED 1531.4 millions in 2003 for the three federal institutions.

In 1990 the budget was AED 694.8 millions. In 2002 the budget grew to become AED 1,510 millions, an increase of 217%. By comparing the development of the student numbers during 1990-2002 (320%) with the development of the budget for

the same period of time (217%) it can conclude that has been no matching of the increase of the percentage of the budget allocated to these institutions with the percentage increase in students. This potential under-funding can affect the ability of the three universities to strategically plan and allocate adequately resource to their programmes. It does also stress the importance of the need to plan soundly and that these plans are under pinned by good budgetary practices and procedures.

**Table 2.10:** Compare between the % Increase in Students to GFB Allocated to HEI (1977-2003)

Year	UAEU	HTC	ZU	Total	% Increase of GFB	% Increase of Students
1977	64,011,000			64,011,000		
1978	230,000,000			230,000,000	259	105
1979	299,265,300			299,265,300	30	71
1980	390,100,000			390,100,000	30	51
1981	386,000,000			386,000,000	-1	35
1982	400,433,100			400,433,100	4	27
1983	352,000,000			352,000,000	12	21
1984	375,000,000			375,000,000	7	17
1985	374,290,000			374,290,000	0	12
1986	398,820,900			398,820,900	7	8
1987	375,193,300			375,193,300	-6	-7
1988	395,000,000			395,000,000	5	2
1989	433,800,000	140,000,000		573,800,000	45	12
1990	522,800,000	172,000,000		694,800,000	21	23
1991	502,259,000	134,348,000		636,607,000	8	4
1992	543,150,000	136,780,000		679,930,000	7	3
1993	511,000,000	138,536,000		649,536,000	-4	8
1994	533,700,000	142,380,000		676,080,000	4	17
1995	552,000,000	165,350,000		717,350,000	6	22
1996	580,000,000	255,000,000		835,000,000	6	14
1997	637,500,000	310,845,000		948,345,000	14	11
1998	702,000,000	360,270,000	109,000,000	1,171,270,000	24	15
1999	677,000,000	430,000,000	170,000,000	1,277,000,000	9	8
2000	740,000,000	480,000,000	171,000,000	1,391,000,000	9	8
2001	740,000,000	520,000,000	190,000,000	1,450,000,000	4	9
2002	760,000,000	545,000,000	205,000,000	1,510,000,000	4	10
2003	770,000,000	551,440,000	210,000,000	1,531,440,000	1	NA

Source: UAEU, HCT and ZU End of Year Closing Accounts (Several years)

### 2.11.10 Cost per Student of HEI

Table 2.11 indicates that the cost per student in 1977 was AED 127,000 when the first university established. However, it decreased gradually to reach AED 41,000 in 2001. The table shows the cost per student was over AED 100,000 up to 1981 then, decreased dramatically to become a little over AED 50,000 by 1993. Since 1994 up to 2003 the cost per student stable has been around forty thousand Dirhams.

**Table 2.11: The Development of Cost per Student of HEI (1977-2003)**

Year	HEI FB*	Students No.	Cost/Student
1977	64,011,000	502	127,512
1978	230,000,000	1,029	223,518
1979	299,265,300	1,758	170,231
1980	390,100,000	2,646	147,430
1981	386,000,000	3,584	107,701
1982	400,433,100	4,562	87,776
1983	352,000,000	5,528	63,676
1984	375,000,000	6,466	57,996
1985	374,290,000	7,248	51,640
1986	398,820,900	7,849	50,812
1987	375,193,300	7,306	51,354
1988	395,000,000	7,462	52,935
1989	573,800,000	8,393	68,366
1990	694,800,000	10,344	67,169
1991	636,607,000	10,772	59,098
1992	679,930,000	11,082	61,354
1993	649,536,000	11,973	54,250
1994	676,080,000	14,055	48,102
1995	717,350,000	17,078	42,004
1996	835,000,000	19,523	42,770
1997	948,345,000	21,679	43,745
1998	1,171,270,000	24,860	47,115
1999	1,277,000,000	26,754	47,731
2000	1,391,000,000	28,943	48,060
2001	1,450,000,000	31,450	46,105
2002	1,510,000,000	34,464	43,814
2003	1,531,440,000	37,500	40,838

Source: MFI, UAEU, HCT, and ZU.

\*Not included MHE budget



The figures above however, include capital costs mainly in the year of establishment of each university. By excluding this cost and taking inflation into consideration the figure of cost per students still falls over period.

#### 2.11.11 Cost of Student at Individual Institutions

In the same line of thought Table 2.12 indicates differences in the cost of student between the three institutions. For instance, in 1992, the cost of student of HCT was AED 112,576 on the other hand; it was AED 55,047 at UAEU. The cost of student in HCT was thus more than double that of the UAEU.

However, the cost of students of HCT in 1995 was AED 39,595 and the cost of student in UAEU was AED 42,784. By 1996, the cost of UAEU was more than HCT. Significantly, the cost of student shifted from one year to another between UAEU and HCT within the range of upper thirty thousand and forty thousand Dirhams. On the other hand the cost of student in ZU lies in the upper eighties and nineties thousand Dirhams.

**Table 2.12: The Development of Cost of Student Among Federal HEI (1990-2002)**

	UAEU			HCT			ZU		
	Budget	S.No.	C/S	Budget	S.No.	C/S	Budget	S.No.	C/S
1990	522,800,000	9,434	55,417	172,000,000	910	189,011			
1991	502,259,000	9,635	52,129	134,348,000	1,137	118,160			
1992	543,150,000	9,867	55,047	136,780,000	1,215	112,576			
1993	511,000,000	10,230	49,951	138,536,000	1,743	79,481			
1994	533,700,000	11,731	45,495	142,380,000	2,324	61,265			
1995	552,000,000	12,902	42,784	165,350,000	4,176	39,595			
1996	580,000,000	14,259	40,676	255,000,000	5,264	48,442			
1997	637,500,000	14,997	42,509	310,845,000	6,682	46,520			
1998	702,000,000	15,506	45,273	360,270,000	8,223	43,812	109,000,000	1,131	96,375
1999	677,000,000	15,401	43,958	430,000,000	9,740	44,148	170,000,000	1,613	105,394
2000	740,000,000	15,600	47,436	480,000,000	11,477	41,823	171,000,000	1,866	91,640
2001	740,000,000	16,990	43,555	520,000,000	12,235	42,501	190,000,000	2,225	85,393
2002	760,000,000	17,831	42,622	545,000,000	14,388	37,879	205,000,000	2,245	91,314

Source: The raw data from MFI, UAEU, HCT and ZU. The table created by the researcher.

S.No.= Student number, C/S = Cost per student

This suggests there is no scientific base for allocating budgets to these institutions. MFI imposed certain procedures and regulations on these institutions to be followed in order to get their financial resources. Strategic planning was not however considered as a base for resource allocation. As a result, these institutions are suffering from under funding problems. This view is supported by the findings of the previous literature reported in this chapter, such as, PWE (1987) UAEESA (1994) and ACRPHE (1996).

#### 2.11.12 The Development of Allocated Budget to Budget Bids

Table 2.13 indicates that in 1990 the MFI allocated 82% of the budget bid of UAEU. However, this percentage dropped in following years to reach 69% in 1997. In 2002 and 2003, it was 78% of the budget bid.

<b>Table 2.13: Development of Allocated Budget to Budget Bids (1990-2001)</b>						
	UAEU Budget				HCT Budget	
	Bids/Projected	Allocated	%	Bids/Projected	Allocated	%
1990	640,328,800	522,800,000	82	229,008,000	172,000,000	75
1991	672,000,000	502,259,000	75	224,540,000	134,348,000	60
1992	775,803,000	543,150,000	70	249,832,000	136,780,000	55
1993	716,000,000	511,000,000	71	299,735,000	138,536,000	46
1994	731,665,000	533,700,000	73	184,909,000	142,380,000	77
1995	797,700,000	552,000,000	69	347,357,000	165,350,000	48
1996	850,000,000	580,000,000	68	393,344,000	255,000,000	65
1997	929,000,000	637,500,000	69	469,729,000	310,845,000	66
1998	798,000,000	702,000,000	88	692,134,000	360,270,000	52
1999	876,000,000	677,000,000	77	702,050,000	430,000,000	61
2000	858,000,000	740,000,000	86	805,550,000	480,000,000	60
2001	935,000,000	740,000,000	79	840,134,000	520,000,000	62
2002	975,000,000	760,000,000	78	NA	545,000,000	
2003	984,000,000	770,000,000	78	NA	551,440,000	

Source: UAEU and HCT annual budget proposal (Several issues)  
Annual general federal budget, MFI, UAE (Several issues)

On the other hand, the HCT received 75% of its budget bid. At one stage the budget allocated had fallen dramatically to reach 48%. In 2001, the percentage was 62%. This has significant implications for strategic planning.

This cut in the budget bids will allow the university to a limitation of implementing its strategic planning and lead to strategy-budget disconnection.

Table 2.14 shows that more than 80% of the budget was allocated to cover chapter one (salaries and wages) and chapter two (general expenditure) which are actual operating expenditure. On average less than 20% is allocated to cover chapter three (capital expenditure) and chapter four (capital projects). This apportionment will allow these institutions to plan to use less than 20% of its allocated budget, which will not leave sufficient space for strategic plans and programmes to be fully put into effect.

**Table 2.14: Budget Apportionments Divided into Chapters (2001)**

	UAEU	%	HCT	%	ZU	%
Chapter One (Salaries and Wages)	470,000,000	64	409,150,000	79	130,073,304	65
Chapter Two (General Expenditure)	170,000,000	23	101,250,000	19	36,794,785	18
Chapter Three (Capital Expenditure)	30,000,000	4	8,000,000	2	23,687,408	12
Chapter Four (Capital Projects)	70,000,000	9	1,600,000	0	9,978,748	5
Total	740,000,000	100	520,000,000	100	200,534,245	100

Source: UAEU, HCT, and ZU

### **2.11.13 The Development of Actual Expenditures of HEI**

By looking at Table 2.15, it is apparent that the actual expenditure of UAE HEI is 96% and over of allocated funds excluding first three years of HCT due to its establishment. Furthermore, there are many cases of spending in excess of allocated budget as it is the case with UAEU, 1996, HCT; 1994-1997, 1999 and 2000 and, ZU, 2001).

These findings show that these institutions could be facing severe under funding by MFI. Alternatively, this could mean that there is a poor control of using these funds. This was confirmed during qualitative interview with some of the budget managers (see chapter six) who expressed the view that they would spending their budgets by the end of the financial year in any circumstances since they know that MFI uses incremental budget methods to allocate funds and they fear cut backs if they don't spend resources.

**Table 2.15: The Development of Actual Expenditure Among Federal HEI (1990-2001)**

	UAEU			HCT			ZU		
	Budget	Actual Exp	%	Budget	Actual Exp	%	Budget	Actual Exp	%
1990	522,800,000	502,470,715	96	172,000,000	139,985,509	81			
1991	502,259,000	500,977,139	100	134,348,000	118,444,511	88			
1992	543,150,000	542,898,891	100	136,780,000	116,576,885	85			
1993	511,000,000	510,682,079	100	138,536,000	132,650,272	96			
1994	533,700,000	533,453,293	100	142,380,000	144,382,219	101			
1995	552,000,000	551,116,769	100	165,350,000	209,239,316	127			
1996	580,000,000	597,049,800	103	255,000,000	294,332,364	115			
1997	637,500,000	636,859,302	100	310,845,000	360,385,511	116			
1998	702,000,000	698,725,974	100	360,270,000	360,268,299	100	109,000,000	108,814,631	100
1999	677,000,000	665,004,028	98	430,000,000	448,403,904	104	170,000,000	169,753,886	100
2000	740,000,000	739,122,616	100	480,000,000	500,558,195	104	171,000,000	170,409,864	100
2001	740,000,000	737,980,879	100	520,000,000	506,599,091	97	190,000,000	200,534,245	106

Source: The raw data from MFI, UAEU, HCT and, ZU. The table created by the researcher

## 2.12 Conclusion

To conclude, HEI seems to have serious shortages in financial resources required to fund their educational programmes and plans. In addition a lack of awareness of connecting strategic plans within these institutions and its relations with the budgetary process and control seems to exist. Hence, this thesis has particularly highlighted the problem of the missing link between the strategy and financial resources allocation of HEI as it affects the overall organisational effectiveness and efficiency of UAE universities and colleges.

This is true if one considers the development of planning systems, strategies and the resources allocation within these institutions. As well as the problems associated with the centralisation of financial and administrative decision making, lack of authority and power of units and departments financial decision-making, lack of technical and financial knowledge and the dearth of universities strategic vision, objectives, plans and programmes that objectively been funded by central federal governments of the UAE. These deficiencies or drawbacks in the planning and financial systems of HEI at UAE have driven the researcher to develop a theoretical model (see chapter four) of the important university's strategy-budget connections in order to initially and comprehensively assessed the problems and crisis of these institutions. This will lead to draw certain conclusions and recommendations that can promote universities strategies, policies, objectives, plans, and financial resources.

## **CHAPTER THREE**

### **THE IMPACT OF UNIVERSITY'S STRATEGY ON BUDGETING SYSTEM: A REVIEW OF LITERATURE**

#### **3.1 Introduction**

This chapter is concerned with a review of the literature relevant to the strategic planning, budgetary process and its linkages with strategies, personal and organisational factors, within public sector organisations, particularly HEI.

It derives certain conclusions relevant to the strategy and budgeting literature within public sector organisations which are presented at the end of this chapter. The objective of this chapter is to develop the methodology and the framework for the analysis of this investigation.

#### **3.2 Awareness of Strategic Thinking**

Traditionally strategic awareness in the private sector has been greater than in the public sector. Robertson (1993) states that the majority of strategic changes happened in the private sector and such changes in the public sectors were “relatively scarce”.

The reason for this is that the private sector is composed of profit making business-oriented organisations, and the main key of success or failure is through the measurement to profit and loss (Bowman and Asch, 1987). Such private organisations use strategic choice and behaviour to lead the organisation to success.

Bowman (1990) stressed that the firm that does not make a profit does not survive. He added that when accepting the concept that a firm exists to make money then, managing its strategy becomes a much clearer task. On the other hand, the public sector is seen as a non profit making sector and consequently there is no sense of loss or profit. It is therefore difficult to define measurable performance and this makes strategic management extremely difficult.

However, in recent years, the public sector has developed a more business-oriented focus, with greater emphases on effectiveness and efficiency. This is a result of government's increasing emphasis on a business culture in the public sector (Wright et al, 1994).

Bryson (1995) pointed out that strategic planning had been part of standard business practice for the last thirty-five years but had become part of a large number of public and non-profit organisations in the last ten to fifteen years.

Wildavsky (1974) stated that by learning about strategies we not only become aware of the importance of behaviour, but also learn about the political world in which they take place.

Accordingly, Garratt (1996) stated that strategic thinking is essentially a process in which we add our own content and which is dependent on our level of awareness of the changes in the external environment.

### **3.2.1 The Definition of Strategic Planning**

Drucker (1967, 37) defines planning as the managerial tools and techniques used to develop plans and course of actions within the organisation. He indicates that,

planning can be a reflection of managerial performance in terms of effectiveness and efficiency.

Stoner and Freeman (1992, 186) have defined planning as the process of establishing goals and courses of action to achieve these goals. They consider planning as one of the four interacting functions of management. It may be better to think of planning, as the locomotive that drives a train comprised of organising, leading, and controlling activities.

In this respect, Blackerby (1994, 18) has defined strategic planning as a continuous and systematic process by which people make decisions about intended future outcomes, how outcomes are to be accomplished, and how success is measured and evaluated.

### **3.2.2 The Importance of Strategic Planning**

Planning has been considered as an important managerial function through which, managers predict the future of their organisations and develop suitable plans and programmes to match their business environment (Drucker, 1967; Hofer and Schendel, 1986).

Stoner and Freeman (1992) have indicated that, strategic planning is an important function within the organisation. Without plans, managers cannot know how they should organise people and resources; they may not even have a clear idea of what they need to organise. Without a plan, they cannot lead with confidence or expect others to follow them. In addition, without a plan, managers and their followers have little chance of achieving their goals or knowing when and where they stray from their path.



Management literature has indicated that, planning can be for the short, medium or long-term with high flexibility in order to help organisations to make adjustments to their plans and programmes that suit the nature of their business environment. Therefore, strategic planning can be used as a vital concept that reflects the intention, mission statements, priorities, objectives, and strategic plans of the organisation operating in various settings (CIPFA, 1997b).

Blackerby (1994, 18) suggests that strategic planning has six essential elements - mission statement, external needs assessments, strategic objectives, outcomes measurements, strategies, and performance feed forward. He adds that strategic planning helps improve both the efficiency and effectiveness of any organisation. In addition, strategic plan unites all the elements of an organisation towards a common purpose, vision, and set goals. It provides a proper forum for addressing policy conflicts and even helps bring about resolution.

Following this line of thought, Bryson (1995) devised a list of benefits of strategic management to organisations and communities as:

- helping organisations to think strategically and establish effective strategies.
- establishing future direction and priorities.
- establishing a coherent and defensible basis for decision-making and decisions will be taken according to future consequences.
- creating decisions across levels and functions.
- helping solve major organisational problems and improve performance.
- helping deal effectively with continuous changing circumstances.
- helping build teamwork and expertise.

### 3.2.3 The Process of Strategic Planning

Pidcock (2001) in an educational context has suggested that corporate plans are set at the strategic level, so that beyond presentational modifications, no distinction is made between corporate and strategic plans, or between corporate and strategic planning. This theorist has indicated that the format of corporate planning for any university should consider the:

- institutional mission/values
- major external and internal factors likely to impact upon the institution and how the strategy responds to these;
- current strategic position of the institution
- long-term aims
- principal objectives
- financial strategy
- main proposals for implementation and associated measurable targets.

In line with this view, Stoner and Freeman (1992, 186-193) have identified the main steps of formal strategic planning in any organisation according to the view's of Hofer and Schendel (1986, 48). Figure 3.1 shows these steps as follows:

*Step one: Goal formulation.* This step involves reviewing and understanding the organisation's mission and then establishing goals that translate the mission into concrete terms. Because the goals chosen will take up a large amount of the organisation's resources and govern so many of its activities, this is a key step.

*Step two: Identification of current objectives and strategy.* Ideally, the existing objectives and strategy are well defined and clearly communicated throughout the

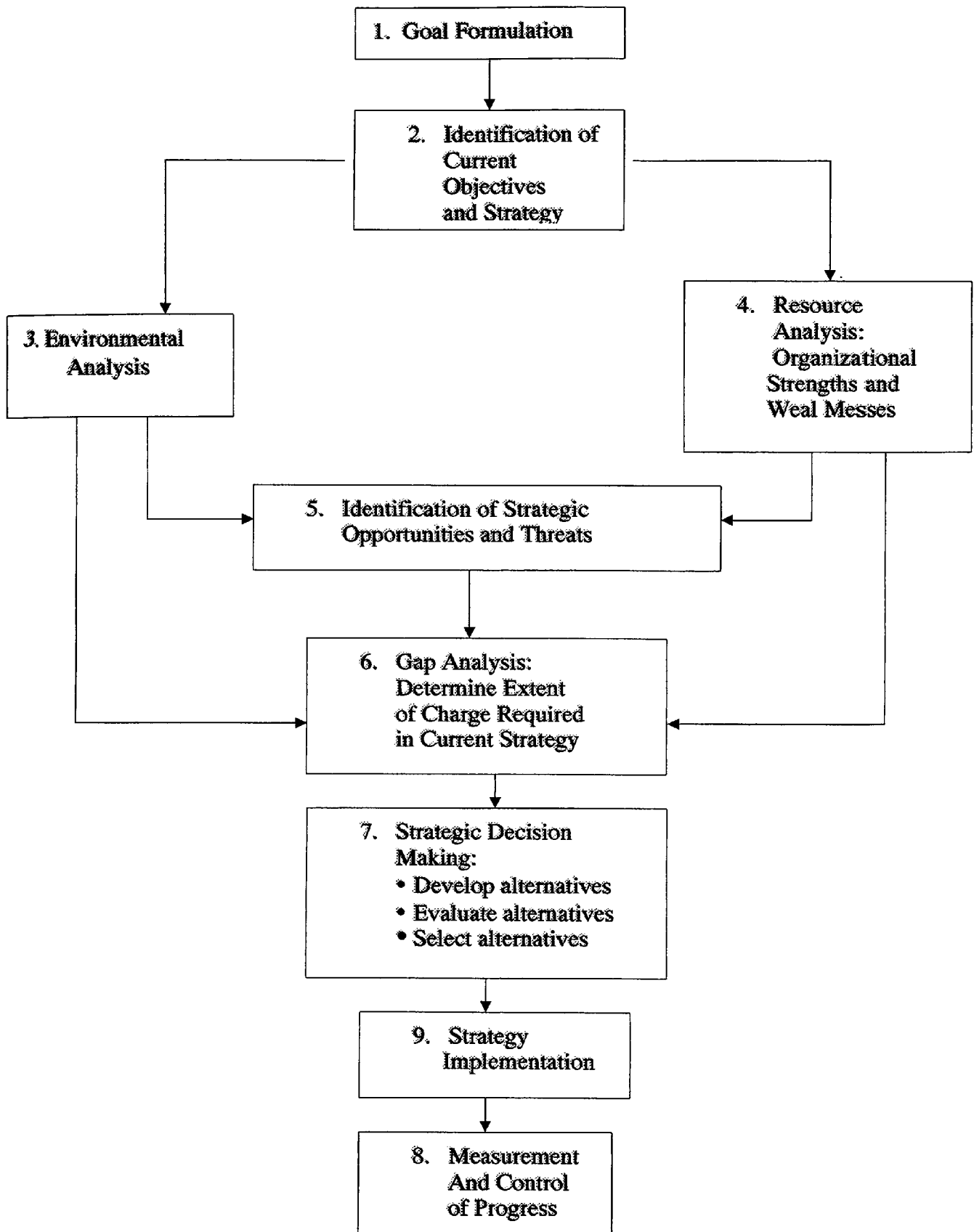
organisation. This optimal situation usually follows earlier formal strategic planning or informal but explicit strategy making by a strong organisational leader.

*Step three: Environmental analysis.* Knowing the organisation's goals and existing strategy provides a framework for defining which aspects of the environment will have the greatest influence on the organisation's ability to achieve its objectives. The purpose of environmental analysis is to identify the ways in which changes in an organisation's economic, technological, sociocultural, and political-legal environment can indirectly influence the organisation and the ways competitors, suppliers, customers, government agencies and others can directly influence it.

*Step four: Resource analysis.* This analysis is necessary to identify the organisation's strengths and weaknesses relative to its environment.

*Step five: Identification of strategic opportunities and threats.* This step is based on the analysis of both macro and microenvironment of organisation. It involves the assessment of the nature of business environment through which these opportunities and threats can be identified.

*Step six: Determination of extent of required strategic change.* SWOT analysis will help the decision makers to identify the nature of the external environment in which their organisations operate. This step will be important to suggest the required changes in the current strategies, objectives, mission, policies, plans and programmes of the organisation. The change required could be identified by using performance gap analysis.



**Figure 3.1: Steps: In the Formal Planning Process**

Source: Hofer Charles W and Schendel Dan E (1986) Strategic Formulation. West Publishing Company (48)

*Step seven: Strategic decision making.* This step includes three stages by which the organisation is able to formulate certain courses of plans (alternatives), evaluate them and select the alternative which matches the nature of the environment of the organisation.

*Step eight: Strategy implementation.* This step involve putting the strategy chosen into effect by implementing certain processes such as, budgeting and resources allocation, developing information systems, developing organisational and people systems and developing strategic change mechanisms in the organisation.

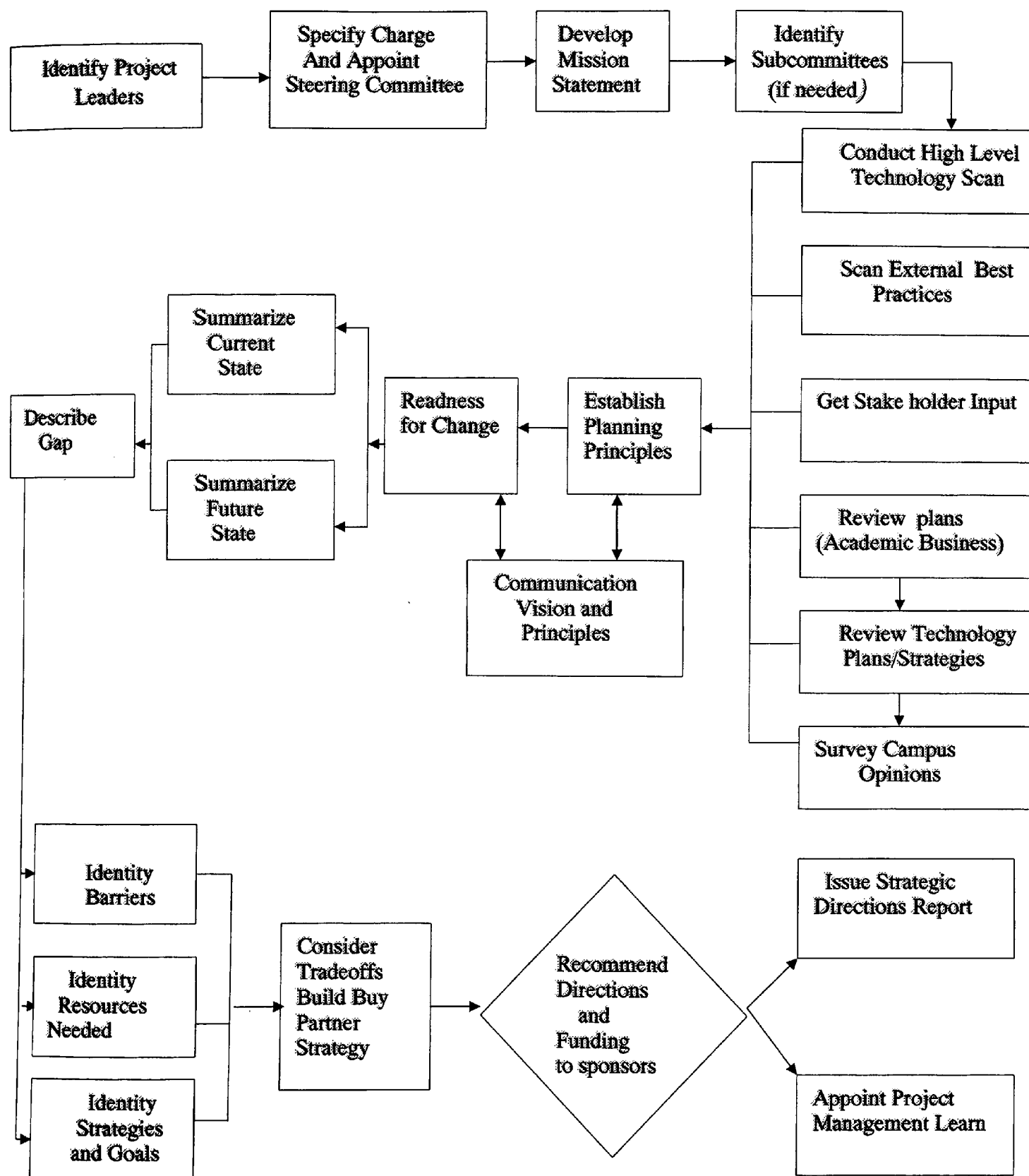
*Step nine: Measurement and control progress.* Managers have to check the progress of implementing their strategies, plans and programmes. Organisational control plays an important role in designing strategic control systems. This later concept consists of the implementation of the strategy according to what has been planned and the intended results supposed to be achieved.

The National Association of College and University Business Officers NACOBO (1974) have indicated that long-range planning is highly desirable for a college or university. Such planning should begin with a statement of the mission of the institution. A list of the institutional objectives should follow the statement of the mission, resulting in the programmes to be pursued. Such objectives should encompass a period of five to ten years, with planning most detailed in the earlier years. Once academic objectives have been established, it is then possible to establish objectives for support services.

Long-range plans based on established objectives include every significant aspect of the educational programmes and support services. Changes in curriculum and methods of instructions must be considered as well as changes in support for

research and public services. Faculty salaries, work loads, student-faculty ratio, staffing patterns, class sizes and use of space must be determined for the present and estimated for the future. The need for support services and the requirements for the physical facilities depend on the academic plan and all must receive adequate attention in the comprehensive long-range plan (NACUBO, 1974, 157).

NACUBO and CAUSE (1997) have developed a strategic framework for HEI including several steps through which these educational institutions can develop effective financial systems. These systems depend on the explicit linkage between the institution's academic plans and vision, the envisioned business and financial model, planned information technology architecture and the budget planning control process. These authors summarise the steps of developing an effective strategic framework leading to the development of modern financial systems shows in Figure 3.2.



**Figure 3.2: Process Flow Chart for Planning Phase**

Source: NACUBO (1997, 138) Title: Campus Finance Systems for the Future. CAUSE: The Association for Managing and Using Information Resources in Higher Education (26).

As indicated by Johnson and Scholes (1997) the assessment of the current state of any organisation in relation to its business environment is an important step in developing effective strategic planning and resources allocation.

West-Burnham (1994, 84) when considering planning at the strategic level in secondary and tertiary education, insists that there must be staff involvement in the planning process, which itself must concentrate on the institutions' central business: 'although the primary responsibility of senior management, the process requires two way communication at all stages and has to be focused on the core purpose and practical activities of the school or college'. In further and higher education also, Peeke (1994) stresses the need for the strategic manager to operationalise the (institutional) mission.

Pidcock (2001) has conducted semi-structured interviews based on purposive sampling, but also referring to the internal documentation used to develop strategies, plans and programmes in a new university. The aim of his study was to investigate strategic planning as carried out in new university in response to the requirements brought in by HEFCE in 1998.

This study discovered that awareness of the institutional mission is very low, as is perceived staff involvement in strategic planning; evaluation mechanisms have not been developed in the first year of operation after the announcement of HEFCEs' new requirements. Overall there was no link between strategic planning and the university's core business operations of teaching, learning, scholarly activities and research.

Later, Hope and Fraser (1999) developed an alternative model of budgeting which concentrated on the philosophy of learning and enterprise rather than contract,



compliance and control. They also supported their strategic model by using ten principles and practices for managing without budgets as shown in the Table 3.1.

**Table 3.1: Managing Without Budgets: The Ten Principles and Practices**

1. **Target setting**-Set targets to maximise long-term value and beat the competition, not the budget.
2. **Strategy**-Devolve strategy to the front line and make it a continuous and open process, not a top-down annual event.
3. **Growth and improvement**-Challenge people to think radically, not incrementally.
4. **Resource management**-Manage resources on the bases of short-term (budget) allocation.
5. **Co-ordination**-Achieve co-ordination by managing cause-and-effect relationships across business units and responsibility centers (such as process), not buy using departmental budget.
6. **Cost management**-Challenge all costs on the basis of whether they add value, not whether they should be increased or decreased compared with last year.
7. **Forecasting**-Use rolling forecasts for managing strategy and making decisions, not merely for 'keeping on track'.
8. **Measurement and control**-Use a few key leading and lagging indicators to monitor performance, not a mass of detailed (historical) reports.
9. **Rewards**-Base rewards on company and unit-level competitive performance, not personal financial targets.

Source: Hope and Fraser (1999, 18), "Beyond Budgeting".

These authors have developed an emerging model which takes into its consideration targets, strategy, plans, forecasts and reports in order to deal with the changing environment and enhance the competitive position of the organisation relative to its rivals. This was developed in private sector companies but has not been extended to the public sector.

To sum up, strategy has been considered as an important step within the university's managerial systems. It includes many activities through which the

organisation can diffuse its mission statement, priorities, objectives and policies to all organisational members. This may necessitate the need to develop clear and communicated strategies, objectives, plans and programmes which can be used as guidance to manage the resource allocation and budgeting process. This thesis will therefore, adopt both the clearness and communication of strategy and their relationships with the budget process in UAE universities and colleges.

### **3.2.4 Strategy and Resources Allocation**

CIPFA (1997a, 8) has considered budgeting as a synonymous concept to resources allocation. It defines resources allocation as “a planning and management tool that provides a mean of allocating resources on a methodological basis to various activities in an organisation”.

In their study of strategy, budgeting and crisis in Latin America, Collins et al (1997) investigated the relationships between strategies, budgetary processes and usages and crisis. They found that the budgetary process should be tied up with the accounting control systems in order to match and use resources in efficient ways particularly in the economic and political crisis context such as those of South American countries. That study also concluded that strategies have to be used as the guidance to direct plans, programmes and objectives of the financial systems during a crisis.

Additionally, work by Daniel and Rietsperger's (1991) studied the linkage between strategies and the management accounting control system. Their findings support the notion that the management accounting control system and resources allocation process should fit the strategy.

In his study reassessing resource allocation strategies in HE in UK, Clarke (1997) highlights the preoccupation of modern strategic thinking with resources and competences. He develops an approach through which HEI can develop successful strategies and link them with the types of environments in which they operate and the resources needed to achieve these strategies. This suggests an effective link between strategies and the plans and programs adopted by HEI to compete successfully in their business environments.

This author concludes that HE institutions are expected to increase the competitive nature of their activities within an environmental framework that demands continuous efficiency gains.

Efficiency alone may suggest that such institutions look more closely at cost effective models of education. Universities may achieve success by differentiating services on the basis of identified core competences that are appropriate to different markets. Such changes would demand closer links between strategies and budgets

Various teaching models and strategies have been assessed on the basis of costs and resources allocated to each activity in order to judge the effectiveness of the allocation mechanism in sustaining the success of the university's strategy or otherwise (Mintzberg, 1991). This author indicates that an effective allocation mechanism is characterised by a few senior budget holders making the allocation decisions. Still taking this as the norm for strategies emphasizing efficiency, some universities world-wide have yet to adopt a more modern approach.

In his study Gunn (1995) in particular argues forcefully for a change by universities from hierarchy and bureaucracy for the sake of core services and competitive advantages. Other strategic paradigms applicable to universities include

bureaucratic universalism (public sector, formal, rule-bound, universal and impersonal) that can lead to political conflict (military tactics based on possession, authority and right to make decisions)

In a more recent commercial approach Hamel and Prahalad (1993) asks why organisations redefine the industries in which they operate, i.e., what is important are the managerial frameworks in which these organisations are capable of matching resources allocation with the strategies, plans and programs pursuit. Consequently, it is important for universities to consider their approach to strategy in the light of this new model.

More particularly, the HEFCE is considering a greater use of an institutional strategy statement to inform its resources allocation to fund teaching. It requires that the university's mission statement now give a clear idea of each institution's purpose and distinctive characteristics (HEFCE, 1998).

The National Audit Office (NAO, 1995) in the UK conducted a through study in further education colleges revolving around the issues of planning and decision making in colleges, budget creation and management, financial control and college audit arrangements.

Regarding strategic planning, this study, reports that, all the colleges visited by the NAO planned strategically for their academic activities. The inexperience of some colleges, however, was reflected in a number of weaknesses in 1993-1996 plans, including unrealistic targets, weaknesses as regards castings, and a lack of governing body involvement.

College plans for 1994-1997 were prepared according to a more sophisticated framework adopted by the Funding Council after consultation with the sector. There was clear improvement in the 1994-1997 plans although some weaknesses in plans and planning processes remained.

The NAO concluded that colleges should review their strategic planning procedures and consider whether they need to ensure that their strategic plans are realistic and achievable and derive from the mission of the institution.

The colleges should provide a clear framework and guidance for departments or sections to write their subsidiary plans and establish a pattern of carrying out their strategic planning and financial forecasting processes in tandem. To do that many should (1) set a clear hierarchy of priorities (2) assign responsibility for monitoring and reviewing plans and (3) involve the governing body to a greater extent in the planning process.

Roberston (1993) identified that UK HEI went through a period of unprecedented change to improve participation in HE while securing greater efficiency and increased financial accountability. He has demonstrated how institutions had adjusted by adopting new systems of curriculum delivery combined with decentralised forms of management. Changes in institutional strategic direction had become informed by the language and concepts of the business environment and this has been particularly evident in the former polytechnics. He also indicated that questions were missed about the uncritical use of a business model for determining the strategic direction of the HEI.

Otley (1999) has developed a strategic framework for management control systems. Specifically, he proposes a framework for analysing the operations of

management control systems, performance, budgeting, economic value added, through a balanced scorecard which assesses relationships with the strategy, objectives, plans and programs of the entity.

He has inductively analysed such connections and suggested further fruitful topics for future research in this area. It is believed that the framework can usefully be developed further by its use in analysing other instances of management control systems practices, and that case-based, longitudinal studies provide the best route to this end.

Jones (1994) has conducted a study in three British universities to examine the changes in organisational structures and procedures for resource planning. He argues that, since the mid eighties British universities have been under considerable pressure to improve the efficiency with which they use public funds and to respond to frequent changes in funding policy. These events have necessitated revisions in organisational structures and in procedures for planning and controlling resources - a need that was also identified in the Report of the Steering Committee for Efficiency Studies in Universities (Jarratt Report, 1985).

This report concluded that, amongst other things, universities had a crucial task to set organisational structures and procedures to maximise the effectiveness of the use of their limited resources.

### **3.3 Definition of Budget and its Importance**

Otley (1977) defines a budget as a plan showing how resources are to be acquired and used over a specified time interval. Budgets are seen as a managerial tool, designed to help and achieve organisational objectives.

In addition, the budgetary process must reflect the organisational processes by which objectives are agreed and courses of action decided upon.

Otley and Merchant (1996) define a budget as simply a forecast of expenditures and revenues for a specific period of time. However, as the structure of businesses have become more complicated, the function, scope and management of the budget have become accordingly more complex.

Kennedy and Dugdale (1999) define a budget as the quantitative expression of a plan of action and an aid to co-ordination and implementation of a plan (22).

Chan (1997) defines a budget as a planning and control device to allocate appropriate resources to meet objectives and obligations set by an organisation.

Willsmore (1973, 4-5) has defined budgets as a quantitative expression of management plans designed to facilitate the co-ordination and control of affairs toward the attainment of the objectives of the organisation. Budgets are seen as a planning and control device.

They involve a process of decision-making and choices between alternatives, whereby managers define, co-ordinate and communicate objectives. They assure that resources are obtained and used effectively and efficiently so that objectives are attained (Willsmore, 1973). Budgets establish a pattern of accountability and responsibility within an information system that reports on performance as an instrument of control.

In their practical guide to budget preparation, CIPFA (1997b, 2) has indicated that a budget is concerned with two key elements - what is to be produced (outputs) and at what cost (inputs). CIPFA offers definitions to a budget which include:

- a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing services to be delivered, income to be generated and/or expenditure to be incurred during a period and the capital to be employed to attain a given objective.
- a business plan expressed in financial terms.
- a management plan that shows the forecast resources required to achieve an agreed level of service activity.

As indicated by Schick (1966) Wildavsky and Caiden (1997), people within public sector organisations fight over resources to secure the tangible economic benefits a budget provides - money, jobs and services. Not only do they want to be in the budget, they seek to keep their share of the budget for as long as possible through multi-year appropriations and entitlement programmes (Chan, 1997).

Almost all large and medium size companies have formal budgeting programs (Umapathy, 1987) with the budget usually set through a negotiation process between superiors and subordinates (Howell and Sakurai, 1992; Anthony and Govindarajan, 1994).

Wildavsky (1978, 1988) studied the budgeting process for over thirty years. He considers budgets as a political process, which represents the art of possible. That is, a satisfactory, democratic budget is one that distributes dissatisfaction more or less equally to all. He also suggests that democratic budgets are compromises, and that compromise budgets are necessarily incremental.



Wildavsky and Jones (1994) argue that through evolutionary change and incremental reform, a process that is produced by continuous partisan negotiation and mutual adjustment characterises budgeting.

Wildavsky (1992b) defended the classical principles of budgeting including comprehensiveness, unity, exclusivity, specificity, accuracy, clarity, and publicity because they worked and were consistent with the needs of the participants in the budgetary process. His budget process can be seen as means of promoting negotiation and compromise, legislative coalition building, benefit trading, back scratching and logrolling, and also of discouraging legislative gimmerickry.

Budgets may be viewed as formal authorisations to the budget-holders to expend given amounts of resources on some specified activities (Bourn and Ezzamel, 1987, 29).

As indicated by these later authors, budgets may be seen as reflecting the relative regard which each in function is held by central senior management between the differing activities of the organisation.

They may contribute to planning by providing an indication of the level of performance necessary to achieve stipulated objectives, and of the likely performance achievable, together with a framework for answering what if questions; in these ways budgets contribute to the reduction of uncertainty and communicate information around an organisation concerning targets, strategies, plans and constraints.

McCaffery (1996) considered the budget process as a planning process, which is about the future and specifically what should happen in the future. He suggests

several characteristics for a good budget process, which can be summarised as follows (340-345);

- Spending should equal revenue in the long run and the long run should not be too long. A small deficit is all right when it is oriented towards investment accounts.
- Time is important in the budget cycle.
- Simplicity in format and numbers is important because the actions of the budget players are complex.
- The budget must be auditable and audited
- There must be consensus on where the important numbers come from and on roughly what they are.
- There should be closure. A budget period should end. To have a cycle means that there must be a beginning and an end. When a budget process drags into the next budget year and appropriation bills are months late, this means it is very difficult to continue planning for the next year budget.
- Access is important. Stakeholders ought to have access to the places where decisions are made that affect them.
- Ownership is important. The budgetary entity should own as much of its resources as possible.
- Competition is important. That is a good budget process is one where resource seekers compete with other resource seekers.
- Systems ought to be frugal with the promises made beyond the time period of the budget process.
- The executive should propose a balanced budget

- On the legislative side, legislative procedures should focus on the budget. This means that the number of budget committees should be as few as necessary.

As indicated in the previous literature, a number of writers have noted the importance of budgeting to public sector organisations. Hence, Glynn (1987) reports that the budget expresses future plans in financial terms. They represent a firm commitment to the activities for which funds have been allocated. The concept of budgeting was, according to Henley et al (1989) developed in the public sector, presumably because governments were the first large organisations that extensively used. Budgets may also offer a means of motivating managers to accept, and to strive to achieve, performance targets which are consistent with the broad organisational purpose (Bourn and Ezzamel, 1987).

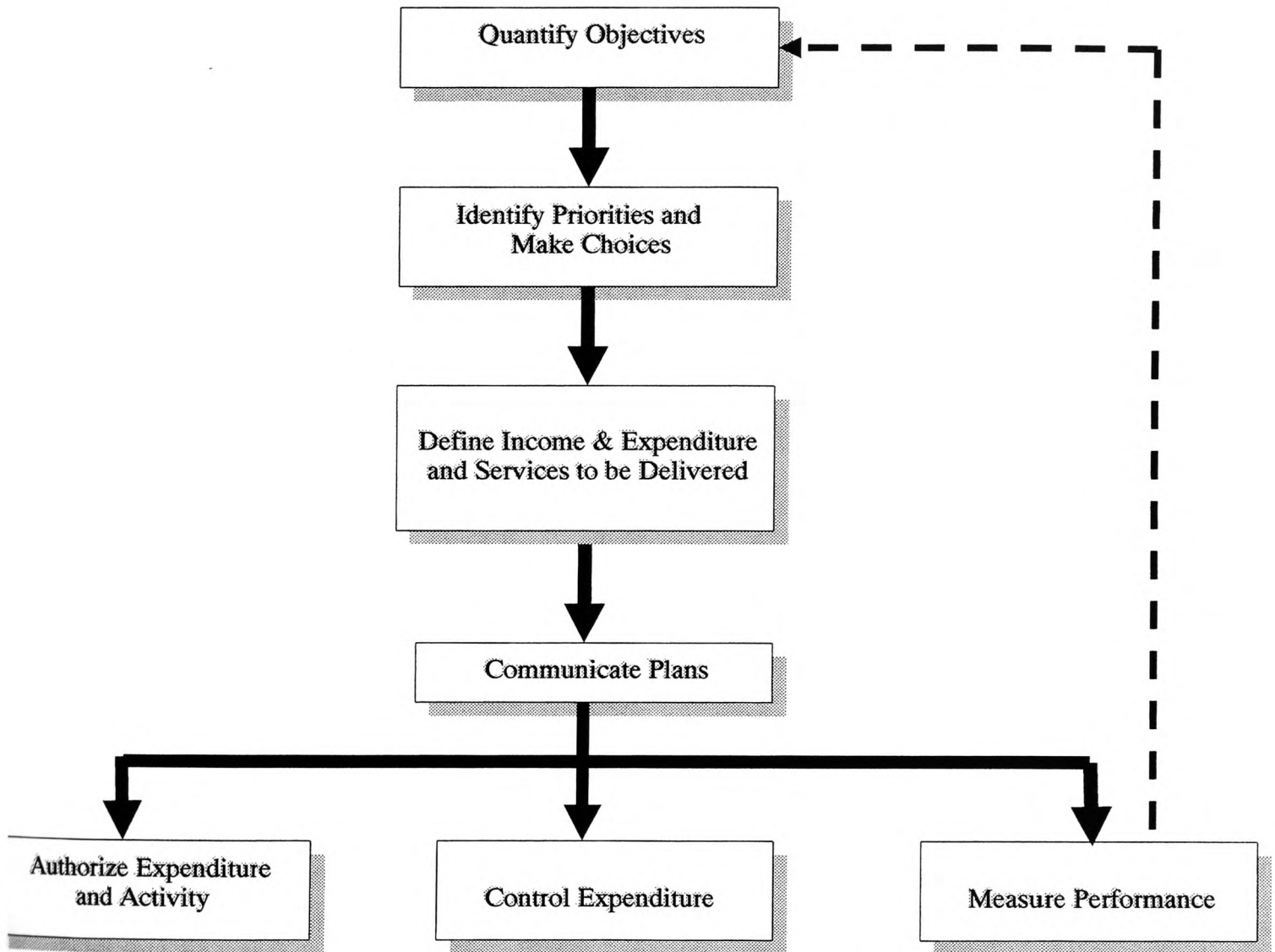
### **3.3.1 Budget Functions**

As can be seen from Figure 3.3 (CIPFA, 1997b, 3) has summarised the main functions of a budget with a government agency. These include the need to:

- Quantify objectives - The budget quantifies the different options for agency achieving the objectives in financial terms.
- Identify priorities and make choices - The budget highlights what is possible within the resources available and helps in the choices of priorities so that resources can be properly directed.
- Defines income and expenditure and services to be delivered - the budget process brings together all activities/sections within an agency and helps co-ordinate the various functions and activities.
- Communicate plans - the preparation of a budget requires communications between all levels when completed, communicates the agency's plans to all budget holders.

- **Authorize expenditure and activity** - the completed budget effectively authorizes budget holders to spend to enable them to achieve their agreed priorities.
- **Monitor and control of income and expenditure** - the budget provides a yardstick against which income and expenditure can be monitored.
- **Measure and evaluate performance** - the budget also provides a mechanism for monitoring performance against agreed plans.

**Figure 3.3: The Process for Strategic Planning and Setting Budget**



Source: CIPFA (1997b), *Budget Preparation in a Central Government Agency: A Practical Guide*.  
The Chartered Institute of Public Finance and Accountancy, (3) Robert Street, London

Otley (1977) has indicated that budgets can serve two purposes within the organisation. Firstly, a budget is a technique for planning feasible programmes of work and for resolving conflict between competing interest groups connected with the organisation.

Secondly, it is a management control device designed to ensure that agreed policies are implemented and to check their achievement against previously established criteria. In this way, the budget provides a statement of expectations regarding the allocation of the organisation's resources and a set of predicted outcomes against which actual performance may be monitored.

Bourn and Ezzamel (1987) indicate that budgets may provide a means of evaluating the performance of managers and organisational units against standards derived externally to the budgetary group.

These roles reflect the traditional rationalistic philosophy of budgets, or what Argyris (1977) calls the theories of control that practitioner's expose.

As indicated by Argyris (1977), Bourn and Ezzamel (1987) the set of traditional and non-traditional budgetary control models are clearly just as applicable to public sector organisations, such as hospitals and universities, as they are to private organisations. These views are supported by Wildavsky (1975), Covaleski and Dirsmith (1983), and Covaleski and Jablonsky (1985).

### **3.3.2 Budget Approaches**

Consistent with this view, Kluvers (1999, 69-79) has reported that budgeting is an important element in the public sector organisation's accounting control system. He identifies a number of budgetary methods and types that could be used, each with

an explicitly different focus. The first type is “line item budgeting” which represents the traditional form of budgeting in which there is a line for each of the resources an organisation intends to use in the next period. Its major function is to control inputs.

The second type of budget is zero-based budgeting (ZBB), which represents a technique whereby the total cost of every item included in a proposed budget must be justified and approved.

No base or minimum expenditure level should be acceptable for any activity. Resources are not necessarily to be allocated in accordance with the previous year’s pattern. The approach is to require a re-evaluation of all the expenditure on activities; all activities start from a zero base (Jones and Pendlebury, 1996; Coombs and Jenkins, 2002, 94-95).

The last type of budget is “planning programming budgeting system (PPBS), which is considered fully rational and corporate in nature. It attempts to link together in a systematic fashion plans, objectives, the environment in which the organisation is working and the feedback of control information. It is judged unworkable (Coombs and Jenkins, 2002, 91).

Kluvers (1999) indicated that the budget in a public sector or not-for-profit organisation is a key element in planning and performance measurement and is the major vehicle for the allocation of resources.

Danziger (1978) studied budgeting and resource allocation within several British county boroughs by using case studies. He found a mix of methods of the distribution of public resources among these counties, such as, Rational-process models, cognitive-limits approaches, organisational process approach, econometric

models, and the demographic approach. His research thus found that there is no single approach that meets all the public requirements. In fact, a mix of the above approaches can be used to develop a framework that makes an effective linkage between the environment, needs of publics, and the methods of resource allocation and the budgetary process.

According to Danziger (1978), there are several approaches for developing budgets and allocating public resources, which can be used effectively by decision makers within public organisations and governmental departments.

The first approach is rational - process models that assume the participants list and evaluate goal priorities, pose the alternative programmes and plans for achieving the objectives and strategies and then design proper budgeting systems which optimise benefits.

The second approach for resource allocation is called cognitive-limits models that assume that decision makers should have intellectual capabilities, sources of information, and quantities of time vastly beyond those possessed by real administrators responsible for budget development.

Even earlier March and Simon (1958) and Lindblom (1959) among others developed conceptual frameworks that contrasted with rational-process models. These centred on an assessment of the characteristics and behaviour of the individual decision maker in a complex situation. According to this approach, decision-makers attempt to avoid making adjustments to their budgets by using incrementalism and create slack budgets to more easily manage the development of the budget and resources allocation process.



Another approach is the organisational process model that has been developed by Cyert and March (1963). Accordingly, the allocation of resources can be explained in the manner in which the problem is broken into a sequence of decisions, the methods by which potential solutions are identified, defined and evaluated, and the relationship between the goals and acceptable solutions.

The econometric model represents a further approach used to allocate resources and develop public budgets. These models were based on mathematical estimations of resources allocation change patterns. Econometricians have developed formulations of varying complexity that estimate budgetary outputs by means of regression equations and stochastic variables. The work of Davis et al (1966) has been seminal in this area.

The final approach is the demographic model that involves the search for systematic relationships between governmental outputs, particularly allocation decisions, and various other exploratory factors.

This approach suggests that socio-economic and political factors have to be taken into consideration in developing any priorities, objectives, strategies, programmes, plans and budgeting for public organisations. In this way the resource allocation and budgeting process can reflect the needs of the publics and political, societal and economical objectives in the resource allocation process.

Borgia and Coyner (1996) sought to determine the evaluation and success of budgeting systems within HEI. The findings indicate that traditional approaches to budgeting are still one of the major systems adopted but they no longer dominate the practice. Apart from the traditional approaches, four other systems were also found in HE budgetary systems.

These were rational system, PPBS, combination of PPBS and ZBB systems and ZBB and performance systems. This study however, did not provide any clues on the characteristics of good budgeting practice adopted by the HEI.

As can be shown from these approaches, HEI in general leans more toward using either top-slicing or incremental methods in conducting the main activities of the resource allocation and budgetary process despite the emergence of more sophisticated budgeting methods. Accordingly, this thesis will attempt to explore the current methods used in UAE HEI. Such an attempt could be important in developing an initial framework to the practical nature of the budgetary systems of these organisations.

### **3.3.3 Budget Process**

With this thought in mind, educational programs, need for support services, and limited resources all help to determine the institutional budget within an itemized, authorized, and systematic plan of operations for a given period. Development of the budget of a college or university is the concern of the president and senior administrative officers as well as faculty and staff member responsible for carrying out the functions and program of the institution (NACUBO, 1974).

Watts (1996) has described the budgeting process as a system of authorisation; a means of forecasting and planning; a channel of communications and co-ordination; a motivational device; a means of allocating resources and; a means of performance evaluation and control as well as providing a basis for decision-making.

These views see the budgetary process as a technical function driven by, and serving, the internal operations of the institution (Emmanuel et al, 1991; and Hilton,

1991). The budgetary process is also seen as a socially constructed phenomenon described as both the substance and result of political bargaining processes that are useful for legitimizing and maintaining systems of power and control within organisations (Cyert and March, 1963).

Willsmore (1973, 5) has indicated that budgets start from an appraisal of the external environment and are largely the expression of decisions that seek to harmonise plans and circumstances. In effect, this aspect of budgeting is a matter of developing an appropriate strategy for responding to anticipated changes in the environment of the organisation; or, if possible, modifying that environment to suit the plans and strategies.

In his case study of an international non-profit making organisation, Newing (1994) has indicated that there is a need to develop a management process system within sound financial management principles in order to help organisations to adapt to significant and severe changes in the business environment. This system has to be developed in accordance with the strategies, objectives and priorities of an organisation. Then these strategies, objectives and plans have to be linked together and communicated to all organisational members, particularly those responsible for developing budgeting systems.

He suggests that activity and resources plans be derived coherently from strategies. The budget process must ensure that all business activities at all levels support the overall strategy, including financial targets.

Kennedy and Dugdale (1999) have specified the following theoretical steps in preparing budgets:

- Establish the corporate mission and objectives
- Set environmental assumptions; hence determining the limiting factors.
- Set the budget for the function constrained by the limiting factors.
- Set other budgets, co-coordinating with the limiting factors and the corporate objectives.
- Synthesize all budgets to produce a master budget.
- Review the master budget in the light of corporate objectives.
- Accept the master budget or, if the master budget does not meet corporate objectives go back to the preceding steps and repeat the process until the master budget is accepted.
- Take corrective actions to eliminate variances or revise the master and subsidiary budgets to accommodate the variances.

Consistent with this view, Coombs and Jenkins (2002, 83-86) have indicated that, within the public sector, the annual budgeting process has a very considerable influence on the organisation concerned. It tends to be very time-consuming in preparation and gives financial effects to political decisions on the raising and distribution of resources. It also severely constrains the manner in which the organisation's resources may be disbursed over the forthcoming year.

These authors have also specified the main objectives of annual budgeting preparation which include the establishment of required income levels, planning service expenditure levels, authorisation of expenditure and the control of the expenditure.

Coombs and Jenkins (2002) have identified the following approaches to the budgetary process:

- **Incremental/departmental.** This approach refers to budgeting systems that are incremental in nature; the budget for each year takes as its starting position the budget for the previous year and adds or subtracts marginally from that base. Budgeting process within this grouping also tend to be dominated by the objectives of individual services and departments.
- **Rational/departmental.** This approach concentrates on budgeting systems that are more concerned with using resources to meet currently established objectives. Additionally, it includes those systems that foster a corporate or wide view taking account of inter-service aspects, coordinating needs and giving pre-eminence to the objectives of the organisation as a whole.

This second approach seems to be logical, since it relates the budgeting process with the objectives and priorities, strategies of the organisation.

Staples and Rubin (1997) has indicated that the primary purpose of the budget is to translate educational priorities into programmes and express these in financial terms. This must occur in the context of available fiscal resources and legal constraints. They mentioned that the budget process generally consists of five steps. First is the development of guidelines for preparing the budget. Second is the preparation of the budget document. Third, the modification of the budget in the light of the actual revenues generated and expenses incurred during the current fiscal year. Fourth, is obtaining approval for the budget from the appropriate authority. Fifth is budget management and administration.

CIPFA (1997b, 23-25) has also indicated that setting a budget is not a one-off activity but part of an ongoing process of management, planning and control. One

way of looking at the budget process is to see it as the link between the planning phase and the control phase of the management cycle. The key elements of this cycle include;

- Setting aims and objectives
- Operational planning this activity involves devising plans or strategies to implement the educational institution's aims and objectives.
- Budgeting-when decisions are made about how to achieve the planned objectives for the year; these can be expressed in financial terms in the budget alongside performance targets and a statement of expected results. Budget setting also provides an opportunity to review objectives and make sure planned activities will meet them. Responsibility for these activities will also be assigned.
- Implementation-the budget effectively authorises expenditure and action plans and communicates these plans to the budget holder or cost centre manager.
- Budgeting control must then be used for monitoring purposes to check that activities are taking place as planned. As these plans are implemented, the budget must be monitored constantly. Any deviations from it must be investigated and action taken to bring the budget back under control.
- Feedback-the results of the monitoring process show where the plan or budget needs to be adjusted.

A thorough view of the above literature leads one to conclude that the budget is important in the assessment of the cause and effect of a university's strategy and its budgeting system.

### **3.3.4 Budget and Resource Allocation Process**

Traditionally the most common approach to resources allocation in colleges and universities has been the incremental budget (NACUBO, 1974; Caruthers and Owig, 1979; Jarratt, 1985; Tavenas, 1993 and University of Heidelberg 2001).

This system focuses on departments and assumes that the current distribution of resources among the department is proper and equitable. Each year, budget guidelines are established that indicate what would be considered reasonable percentage increases in various expenditures categories, such as, salaries, travel and equipments etc.

Even if the situation where college priorities have been established, the budgetary response is typically an ad hoc determination concerning what increment is needed to effect the programmatic change (Caruthurs and Owig, 1979, 36; Clarke, 2001).

Cook's (1976) study of the relationship between student enrolment at universities and their receipt of recurrent grants from the University Grant Committee (UGC). The study shows a high correlation between the actual distribution of recurrent revenue between the UK universities and entitlements, which, was derived from the formula by which the province of Ontario explicitly determines the entitlement of its universities to recurrent grants.

Watts (1996) has examined some of the changes in the budgetary practices in Australian universities since the demise of the binary system, in particular, the methods for the internal allocation of funds. This study found that Australian universities have adopted the Relative Funding Method (RFM) as a mechanism to allocate these funds. The study suggests that in the absence of adequate data about their teaching and research costs and considering the lead-time necessary to develop a suitable management information system, senior administrators have been willing to accept a cost matrix which had been developed at the system level.

The study also proposed that a resource allocation model was required that considered what needs to be allocated rather than what was allocated using post expenditure and income.

Cutt et al (1993) have studied performance measurement, budgets, resources allocation and accountability in Canadian universities. These authors argue that, the role of universities in Canada has never been important than in the difficult adjustment period of the last decade of the twentieth century. They indicated that, university faculty and administrators have argued strongly and persuasively that they can best play their role if they continue to enjoy substantial autonomy in academic decision-making, and have both sufficient resources and budgetary autonomy in their use to pursue teaching, research and public services in the appropriate quantity and quality.

Both of these necessary (though not sufficient) conditions are under serious pressure. This study has found that the relationship of the universities in Canada-and in all OECD countries-with public funding agencies and their other main



circumstance (employers, students, and indeed the public at large) over the 1970s and 1980s have been unstable and often difficult.

As a result, the Canadian universities have lost faith in the traditional self-regulatory model of funding and governance, whereby, essentially, universities are given resources and the autonomy to use them as they see fit.

McGeough (1998) has argued that advocates of resource accounting see it as improving financial management and thereby improving the accountability of the organisation, while critics see it as making the whole process of accounting more complicated than it should be. The author showed that while the Department of Public Enterprise in Ireland had encountered many difficulties publishing resource accounts in making the accounts meaningful although the end result was a set of accounts comparable in standard to those of the private sector.

Horsch (1995) has diagnosed many problems with regard to budgets and resource allocation process including the following;

- A feeling of suboptimal resource allocation and frustration among the decision-makers and people who carry out those decisions.
- A lack of alignment on what is important among decision-makers.
- No way to prioritise proposed uses of funds, no clear sense of trade-off, no-agreed upon common criteria for the entire organisation in which to measure benefits of proposed expenditures, a feeling that everything is important and must be funded.

- There appears to be confusion as to who is accountable for funding decisions- especially when eventually there is unfavourable variance to the allocated amount used in the budget.
- There is undisciplined approach or lack of rigor in the resource allocation process.

Bourn (1994, 265-266) has summarised three matters relevant to the issues of universities' funding in UK.

First, UK universities are funded through a dual funding system. Funding for teaching, and for a research infrastructure, comes from government, channelled through an agency system of funding councils. Funding for research grants and contracts come by bidding successfully to research funders, of which the most significant are government-funded research councils.

Second, the Funding Councils operate systems of peer-group review of the quality of both research and teaching. That for research keenly affects the funding out-turns; that for teaching may do so in future.

Third, for many years, two parallel sets of HE system existed, the polytechnics and the universities. These have now been brought together, and are called university and funded under the same rules by one combined system of Funding Councils.

He has also addressed a particular aspect of internal resources allocation. He offers several ways in which the burden of spending large sum might be distributed amongst the academic groups that are the identified recipients of income.

Cropper and Drury (1996), Borgia and Coyner (1996), and Yale University (2003) attempted to explore the budgeting practice of the universities. Cropper and Drury (1996) for example, discussed the areas of profitability analysis, budgetary controls and performance reporting and investment appraisal in HEI.

They suggested that with a rapidly changing HE sector, and increasing pressure to extract maximum benefit from scarce resources, management accountants of HEI have to develop new approaches in the provision of financial information.

This requires the financial manager of HEI to seek proper and systematic rules and procedures in allocating and distributing scarce resources in order to achieve high efficiency and effectiveness.

Heald and Geaughan (1994) provide a keen description and analysis of the changes in the arrangements for governmental funding of the universities in the previous 10-15 years. They stress that the key issue has been the government's desire to expand outputs without a corresponding expansion of inputs.

Whittington (1994) has tried to demonstrate some of the problems of making judgments about resources allocation within universities. He indicated that certain important assumptions, particularly the measurement of the research outputs, teaching quality, and the appropriate standard of comparison, is necessary before effective resource allocation can be achieved. Even then, global performance measures should ideally be used as indicators as to where investigations of resources allocation should start, rather than the conclusions, which they should reach.

The FEFC (1992) has summarised six methods of funding the activities, programs and plans to enhance the post-schools education throughout the UK at a

time when the government has given a new special emphasis to further education and expects the number of student to increase by 25% over the next three years.

Recognizing that funding procedures and educational objectives are closely intertwined, the document is founded on an examination of the basic education and training function of each college-to promote learning by students.

The six approaches for funding colleges of further education include; (1) formula funding based on growth rates, (2) formula funding based on average units of funding, (3) bidding for budgets, (4) funding enrolments and achievements, (5) funding units of provision, and (6) voucher-based funding.

FEFC documents show that most funding is currently based on counting enrolments. This approach, although familiar and workable, has two major drawbacks including, funding not being truly related to activities and outcome.

These drawbacks have led to a call for a system of payments by results under which providers (colleges) would receive funding only for achieving their primary objectives-increasing student's achievements.

It is concluded that the drawbacks and risk of enrolment-based funding meant providers might come under pressure to place students on easier programmes, exclude lower achieving student and lower assessment standards.

This however, can be overcome by finding approaches that relate funding to the elements of learning programmes including comparing entry and exit velocity. This would align funding with the need to incur expenditures, achieve the best features of other methods and reinforce the focus on learning and achievement (6).

Consistent with this view, Fletcher and other contributors (1992) have developed a system of resources allocation within further education colleges called achievement-based resourcing (ABR). This system refers to funding a college on the basis of its intended or actual outputs, defined in terms of an individual's achievements.

The primary purpose of ABR is to provide a funding regime that removes the blockages on flexibility and accessibility, and to provide a focus on learner achievement. It does this by encouraging; supporting and rewarding those institutions that are prepared to take the risks of increasing flexibility, accessibility and associated supportive services to learner.

The logic steps of this system have been to set targets, objectives and aims of student's achievements in term of quality of teaching and learning, pass rates of students, developing new curriculum for education delivery and effective delivery of these curriculums. Then the cost of the learning process, strategies and activities would be estimated alongside the practical definitions of student and college achievements.

These achievements would be the primary base, which could be used to allocate resources to fund learning and education activities and programmes of the colleges. This system would require significant co-operation, co-ordination and participation between colleges and the FEFC in creating the mechanism in which this system could be achieved.

Orton (1974) has considered various methods for resource allocation in UK universities. Firstly: the intuitive method which assumes that any committee worth anything knows enough about departments in the university to judge their needs. The

theory put forward is that this method has worked well in the past and every one is happy. Secondly: the numerical method employs measures such as the number of student and the number of staff contact hours. As resources become scarcer there is a move towards the numerical end of the scale. If the institution has enough finance to cover everyone's reasonable needs, the pressure for the use of a formula method is less.

CIPFA (1997a) has conducted a thorough study of resource allocation models in further and HE. This study has been based on the recommendations of HEFCE (1995) that;

*“Institutions should periodically review their methods of resources allocation and ensure that they have a method that is robust, in line with their aims and objectives, and contains sufficient flexibility to cope with unexpected changes in policy” (92).*

The current pressures on public spending in general and on HE in particular, are such that institutions need to give very careful consideration to their expenditure plans to avoid over-committing themselves in a way that could cause future financial difficulties. This emphasizes the need for robust financial forecasts.

CIPFA (1997b) has developed a methodological budgeting in the further and HE sectors aiming to support the strategic direction of an institution and the mechanism for accountability in an institution.

Accordingly, the resources allocation process is usually considered in conjunction with budget preparation and is expressed in terms of financial budgets. The process used should provide for a rational basis on which to allocate resources that, in turn, enables budgets to be developed that are of benefit to the institution as a

whole. CIFPA (1997b) indicates that the budgetary process should include income earned and expenditures required by the institution.

The elements of income for any education institution should include teaching income and other income, such as research and consultancies, external activities, etc. The expenditure elements should include consumables and equipment, staffing, service teaching and overheads.

In determining future year budgets, a resources allocation model should take into account balances of unspent funds brought forward. Such an approach requires careful management as it may not promote efficient and economic use of resources and may not be considered compatible with a resources allocation process based around single years.

CIPFA (1995) has argued that budgets are devolved precisely because it is believed that lower-tier managers are better able to make sensible spending decisions; from their viewpoint, these reserves presumably do not appear excessive.

In addition, CIPFA (1995) has indicated that budget holders carry balances for a number of reasons including, uncertainty associated with unforeseen conditions, saving up resources which can be used for other purposes and poor financial and operating alignment. These factors will produce higher balances across a devolved system than in a centralised system of equivalent size.

DSMC (1996) has developed a fact sheet that provides information about PPBS, the primary resource management process applicable to all Department of Defence (DOD) components in USA. This fact sheet argues that the purpose of PPBS is to produce a plan; a program; and, finally, a budget for the DOD. Resource

allocation reflects policies and is the process of distributing scarce resources to competing alternative programs. PPBS is therefore, an iterative major planning and control process that set forth, in terms of dollars, the work plan for all DOD levels. This is accomplished through a phased process containing three distinct but interrelated steps: planning, programming and budgeting.

In his study of activity-based costing (ABC) systems in UK universities, Mitchell (1996) has found that one-fifth of the respondents had made use of this costing method, and were overwhelmingly positive about its benefits, in particular its value in improving cost-awareness in the organisation. He also found that most institutions viewed ABC as a tool for rational allocation of central costs to academic departments, whereas the usual rationale for ABC (outside universities) is in terms of product costing.

In the same vein, Goddard and Kean (1998) have examined the development of ABC in university accounting and assess the contribution it might make to solve the problems associated with central overhead cost allocation systems.

A case study using an ABC methodology was developed and applied to library services at the University of Southampton. The results showed substantial differences in the allocation of the central overhead costs as between academic facilities using the model and the existing system. The authors argue that although the ABC approach may overcome some of the problems of overhead allocation and improve the economic efficiency of organisations, there are significant problems with its practical application.

Fletcher and Crisp (1988) have developed a rationale model for resource allocation within the further education sector in Britain. This model includes several



steps consisting of constructing a formula for resource allocation, determining values, collecting base data, dealing with exceptions, handling variations from plan and treating income generated from learning and teaching activities and programmes.

As suggested by the authors, the resource allocation model has certain limitation in its application to the actual financial systems and budgeting processes of the colleges including the reliability and accuracy of the data, limitation of cash, problems of fixed assets, available technology in dealing with financial exceptions, and the cost of handling variations from planned resources.

Thomas (1998) has studied the reform and change in financial management in Romania, Macedonia and UK universities. The findings of this study indicate that attempts to improve financial management by adopting devolved, formula-based systems of resource allocation can lead to unexpected consequences and can be counter productive unless accompanied by a holistic approach to the management of change.

### **3.3.5 Budget Problems in Educational Institutions**

As can be seen from the above review of budgeting studies, there are many approaches and processes of developing an effective budget that can be used in the whole process of resource allocation and its connection with the organisation's strategy.

The above literature does not provide any preferences for any approaches or steps that can be used in practices. As a result, several problems have been reported in the previous accounting literature regardless of the type of sector in which organisation is operating.

For instance The Report of the Steering Committee for Efficiency Studies in Universities (1985, 19-20) has found that; financial information provided for departmental management varied in quality, often arrived too late to be useful, and did not show forward commitments. This led the departments keeping their own records.

Attention was also drawn to inconsistencies in the forms of accounts for departments within a single university. This increased the difficulty of using the information for management purposes. In some cases, non-academic parts of the universities did not have detailed budgets; and were not subject to the same discipline as academic departments

Following this view, The National Data Study (1985, 14-15) found that some British universities did not tie resource allocation to their planning process, but for many, even where thought had been given to plan priorities the process of resources allocation was quite separate from planning.

Consistency between decisions on planning and resources allocation-and between the different components of resources allocation-was usually assumed to flow from the overlapping membership of committees, however, such a process is not always effective. In addition, the dominant factor in resource allocation was the historical distribution of resources.

The NAO (1995) in its study on colleges of further education sector included budget creation and management. This found that most colleges used cautious assumptions in setting their 1993-1994 budgets reflecting the poor baseline data available to them.

A few colleges were taking the further step of developing unit costs. There was scope for improvement in budgeting process at some colleges: budget preparation documentation was often weak and some college are over-cautious in fixing budgets without planning adequately how to use surplus arising or planned. The NAO concluded that some colleges would need to;

- Document their budgeting processes.
- Set more realistic budgets to reflect the resources needed to deliver strategic plans
- Ensure that timely and adequate management information, including information about commitments, is provided for budget managers
- Ensure clarity of responsibilities for budgets and
- Ensure that senior management receive regular reports on forecasts of budget outturn.

In a recent study of public universities budgets in Malaysia, Tayib and Hussin (2003) has reported several problems associated with budgeting practices in Malaysian universities. Including lack of trained personnel, lack of capability in using data, over-emphasis on technical aspects, inadequate support from the treasury itself, lack of compliant, insufficient facilities, financial performance seen as not important and unrealistic goals.

This study is consistent with those by Doh Joon Chien (1972 and 1984) and Dean (1986), which had highlighted that Malaysian budgeting systems were in trouble.

This was further supported by Dean (1986) who highlighted areas of similar weakness in the budgetary systems. This includes the following; lack of commitment, lack of trained personnel, information generation and use and lack of central support agency and technical difficulties.

Chalos (1997) has examined budgetary inefficiency in education using data envelop analysis. He explains the differences in managing resources between efficient and inefficient school districts. Specifically, the size, the type and source of district operating expenditures were examined relative to educational performance. Chalos concluded that, it is essential to distinguish the effects of controllable budgetary inputs on outputs from uncontrollable socio-economic conditions.

NACUBO (1974, 157) has indicated that the budgetary process is used to insure the optimum allocation of resources to academic programmes, while simultaneously providing adequate support services. This process requires imagination, insight, and creative effort.

The chief business officer is responsible for co-coordinating or managing the development of cost estimated and producing a long-range financial plan to support the academic program. This process should be carried out in co-operation with appropriate academic officers. The plan should include estimates of added costs arising from expansion, improvements, and new programs, as well as those for increases in salaries, employee benefits, utilities and prices of supplies, equipment, and services.

Following this line of thought, Murby (1995, 62-65) has noted that, power struggles and tight control over spending and a lack of financial skills represent serious problems associated with university budgets, and control systems.

Murphy outlined a number of different strategic models for the devolution of authority and responsibility to the administrative and financial staff within universities. The aims of budgetary devolution within universities were highlighted:

- Establish greater responsibility and accountability for spending at the level at which decisions are made.
- Collect data to support decision-making.
- Change attitudes and behaviour of staff within institutions.
- Reassure the outside world that the universities are exercising financial control.
- Collect data for external financial reporting purposes.

Haythornthwaite (1996) identifies certain problems associated with the financial management of one British university including a lack of financial training, a lack of managerial power for both budget holders and financial controllers, and unclear financial regulations in setting departmental budgets. He suggests that, there should be devolution of power, responsibility and authority to all levels within the financial management of universities and maintenance of financial control at senior and central levels to ensure that budgets are implemented effectively and efficiently.

Ackroyd and Ackroyd (1999) have argued that, university governance in Britain is thought by some authorities to have been in crisis for a considerable time. Concern had centred on a number of key areas, including the ability of institutions to manage their financial affairs against a background of declining real resources whilst institutions were attempting to maintain academic excellence and the high standards

of probity expected of public sector institutions. These authors argue that there is a need to improve the accountability of the universities-both to the state for the money they have at their disposal and to their students for the quality of education they provide.

One can conclude from these studies that there are several different problems and difficulties associated with the budgeting systems as means co-ordination and control within organisations, particularly HEI.

These problems however, were mostly tackled in either descriptive qualitative methods or in small samples and case studies. As a result, the literature discloses no agreement among the researchers, relevant to the impact of these obstacles and difficulties on the effectiveness and efficiency of financial resources allocation and budgetary process within HEI.

These deficiencies need to be addressed in a systematic study in order to assess these obstacles and explore further their impact on the performance of the financial systems of universities. They are thus the subject of this thesis.

### **3.4 The Impact of Personal and Organisation Factors on Strategy and Budgeting System**

The budgetary process is an integral part of the management control system (Walker and Johnson, 1999). Managers use budgetary information for many purposes including motivation, performance evaluation, pricing and investment planning.

In addition, Otley (1978) suggests that the effectiveness of the budgeting process depends on the organisation's environmental, the technical adequacy of the control system and the way to which members of the organisation use the information

provided by the system. Lukka (1988), Berry and Otley (1975) have indicated that structural factors and employee participation in setting objectives, plans and budgets may be important determinants of effectiveness in resource allocation and strategy development.

In their case studies of further education colleges and HEI in England CIPFA (1997a) has indicated that there are many determinants that can affect the efficiency and effectiveness of resource allocation, strategies, plans and programmes and the budgetary process used by these institutions.

These factors involve the size of the institution; the complexity of the institution, the level of public funding it receives, funding council methodology, its management structure and its management style. CIPFA considers these factors contingencies that have to be considered carefully and cautiously in determining strategies, programmes and stages of budget preparation and implementation.

Lee (1992) has argued that the method by which a state budget is developed is critical to the policy-making process. His longitudinal study of states finds an increasing use of budget guidance techniques that control how agencies may propose policy changes and request funds to support these changes.

In his study of Malaysian universities, Tayib and Hussin (2003) have indicated that a good budgeting system has to be associated with special technical, personal and organisational factors.

Campbell (1985) for example, believed that recognition of both technical and behavioural aspects of budgeting is essential if organisational goals are to be achieved. He suggested that every budgeting system must be customized and its

success measured by the extent to which it can provide the necessary motivation for individuals in order to maximise their contributions in achieving goals.

Schmidt (1992) Grifel (1993), Hoque (1995), Lehan (1996), and Fisher et al (2000), argued that budgeting systems should take into consideration several organisational, technical and personal factors including employees participation in setting budgets, skills of budget personnel, level of management, and educational level.

Hofstede (1967) put forward that staff participation in the budgeting process helps to ensure the perception among workers that organisational goals are fair, and therefore, the budget is more relevant to them. Murray (1990) perceived organisational goals as the objective or the performance target that every worker should seek to obtain. Motivation is increased by participation.

Fisher et al (2000) indicate that accounting research has focused primarily on budget setting unilaterally by subordinates, while goal setting research in management has focused primarily on budgets set by superiors. In addition, they comment that budgeting research in accounting has focused heavily on the planning and control aspects of budgets while the motivational and personal aspects have had a lower priority. Their study examines how budgets and the economic consequences of the budget-setting process differ when budgets are set through a negotiation process versus one set unilaterally.

This study also considers other factors affecting budget planning and execution, such as, linking the budget to the strategy and objectives of the organisation. This study also found that budgets set through participation and negotiation are more effective than the budgets set unilaterally.



This study, also reports that budgets set through negotiation and participation contain significantly less slack and achieve positive economic gains in term of meeting the social needs and objectives of the organisation.

Abernathy (1996) discovered similar results. He found that the norms, values and certain attributes of physicians can be effective on the ways of applying control and co-ordination mechanisms in dealing with the resources allocation and it management.

In their study of twenty-eight public organisations in Australia, Dunk and Lysons (1997) found that effective resources allocation and budgetary control in a changing environment can be effectively managed through adopting flexible structures, delegation of authority and more employees' participation in budgeting and financial control.

In his study of profit centre managers from Fortune 500 manufacturing firms in the USA, Kren (1992) has argued that information and environmental volatility has a significant impact on budgetary participation and control.

Chenhall and Brownell (1988) found that budgetary participation provided information that reduced role ambiguity and contributed to improving financial performance. Mia (1989) and University of Heidelberg (2001) found the relationship between budgets, performance and participation could be influenced by job difficulty, managerial level and educational background.

The above literature has shown no-consensus among theorists about the nature and impact of personal and contextual factors on resources allocation and budgeting systems. Also, the findings of the above studies have generated more controversy,

ambiguity and inconsistent conclusions relevant to the contribution of each factor with regard to these areas.

Further, there appears to be very limited research that examines these factors within the budgeting systems of educational institutions in both western and third world countries. As a result, this thesis, will adopt several personal and organisational factors consisting of, age, sex, educational level, marital status, nationality, participation in setting budget position and number of managerial levels. These factors are thought to have significant impact on a university's strategy, plans and programmes, and the budgetary process.

### **3.5 The Impact of Strategy on the University's Budgeting System**

Tierney (1981, 29) indicates that in education an effective resource allocation system would follow institutional priorities. That is, a set of priorities would establish the relative importance of various institutional goals and strategies for the coming budget period. Resources would then be allocated to those activities according to these priorities.

Any scarcity of financial resources would allow colleges and universities to undertake only those activities of the highest priority. Tierney suggests that it was fashionable to look to the PPBS as a means of providing a more rational system of linking institutional priorities to the allocation of resources.

However, colleges and universities were not able to apply this system due to three main reasons. First is the problem of developing institutional clear objectives and strategies. Second is a difficulty to quantify the amount of learning that takes

place within a university. Third is that state governments often forced PPBS upon colleges and universities with relatively short notice.

These findings were similar to those by Hitch (1973), the fundamental difficulty is that there is often an absence of a clear-cut, definitive, operationally meaningful statement of a university's objectives and strategies. Second, it is not possible to quantify the amount of learning that takes place within the HEI this may leave a gap between these problems and the more routine, annual budget planning cycle. Third, governments and senior administrations often forced certain formats and documentations to implement the budgeting system.

Formats and documents may cause harassment to the finance and budgetary staff particularly when required at short notice. The above three reasons make financial staff very sceptical about the benefit of relating priorities, objectives and strategies with the budget process. This in turn, could affect the clearness and strategy communications among the universities and colleges' staff and departments (Balderston, 1975).

There is also another problem associated with budgeting and university's strategy and priorities. That is the ambiguous mission and objectives of the university. In this case, the university will make its decisions of resources allocations either through the development of management control systems or explicit political bargaining among the departments and colleges of the university (Zemsky et al, 1978, Wildavsky, 1978).

West (1997) has developed an approach to tie up budgeting with the strategic planning systems. He suggested that budgeting should reflect the priorities, strategies, objectives and plans set by top management.

These budgets should be prepared by the finance function within the organisation bearing in mind the flexibility that should be associated with budget preparation and execution. In this way, organisation will be able to adjust both its strategic planning and budgets to cope with changing circumstances and achieve a successful competitive position in the market place.

Goodwin and Kloot (1996) have examined two forms of link between the strategic and budgetary processes in a local government setting. First, there is a situation whereby budgets are used to update the strategic plan and, second, as scenario whereby strategy and budgets are determined concurrently.

In both situations, there is an opportunity for strategic information to be disseminated to managers. This study explored the relationship between the understanding that arises from strategic communications and budgetary response attitude. These authors found that, such a link is important for local government managers who want to understand and maximise the knowledge transfer between the strategic and budgetary processes.

Specifically, the study found that when strategy is developed concurrently with budgetary allocation, communication will be significantly related to a lowering of budgetary role ambiguity, which in turn, will be related to an improvement in budgetary response attitude.

Jones (1986) has developed an approach through which performance assessment can be developed, implemented, and linked with the budgeting process in colleges. In his system, accountability is public and is the product of jointly agreed standards that reflect local circumstances and conditions.

The ultimate measure of output in the system is a cost per successful student. Cost is measured by contact hours provided. Success is assessed through agreement on acceptable pass rates negotiated on a course-by-course basis. Jones suggests that this system can be used as a basis for effective resources allocation processes of the colleges in competing and bidding for public funds necessary to their objectives, strategies, priorities, plans and programmes.

He also indicates that in order to achieve reasonable accountability and cost effectiveness within the colleges of further education in Britain, strategic planning has to be developed and linked with the process of budget preparation and implementation.

Cropper and Drury (1996) have conducted a study regarding the application of management accounting practices within British universities. A part of their result is that they found that managers were able to influence their budgets by seeking to obtain a certain amount of slack in order to get easily achievable targets.

Craig (1994) have concluded that power struggles and highly centralised decision-making process particularly within finance departments may constrain and limit the freedom and empowerment process to develop effective budgeting and strategic planning systems. Particularly, in a changing environment which requires horizontal communications, greater employees' participation and extensive delegation of authority to various levels of management.

It has also been suggested that, resources, authority and power delegation, autonomy of employees in dealing with the budgeting problems and plans may create effective resource allocation within an organisation and that would be useful mechanism for these organisations to cope with their changing environment.

Consistent with this view, Ghoshal and Bartlett (1995) have reported that the role of top management has changed in order to create better managerial mechanisms for the organisations to cope with their changing environment. Therefore, aspects of the decentralisation of authority, empowerment techniques, matrix structures, horizontal communications and extensive employees' participation in decision-making may help top management of an organisation to get better results with regard to their strategic plans, objectives and budgeting systems.

Pinch (1998) has argued that lack of power and authority in financial and administrative units responsible for strategies and budgeting may severely affect the preparation and implementation of effective strategic plans and budgeting systems within organisations operating in turbulent environment.

Wheelan and Tilin (1999) have studied the concept of power struggles and its consequences on budgeting and strategic planning within faculty groups and on school productivity. They argue that a lack of power may harm the process of developing effective strategic planning and budgeting through which organisations meet their educational objectives.

Wilson (1999) has also supported this view and argued that increasing employee's power and authority will increase organisational commitment, loyalty and satisfaction. This would result in improvement in planning and managing organisations successfully. In addition, this author has considered the power of organisational members as the most salient and important determinant of effective use of resources within the organisation.

Holland (2000) has outlined a practical framework for increased accountability within an organisation as facilitated by changes in management and its accounting

information system. He argues that, strategies, priorities, and objectives can be achieved effectively through accounting information mechanisms, which help organisations to develop a framework for budgeting process and control.

Sisaye (1995) has developed a power control contingency framework of accounting to identify and describe the types of control exchange systems in complex organisations. This author makes the basic assumption that resource allocation is critical to planning and control processes. He has suggested that accounting systems can help the effective deployment of resources through the links between strategies, priorities, objectives, plans and financial budgeting and reporting systems.

Melkers and Willoughby (1998) have addressed the trend toward improving performance in government and found that the relationship between performance-based budgeting requirements and strategic planning activities is important. As performance measurement becomes prevalent, it also becomes an integral part of the strategic planning processes. At first glance, it appears that current performance-based budgeting efforts seek to relate measurement with planning. Such a linkage may help to promote sustained implementation of this reform.

Meyers (1994) has argued that, budgetary incrementalism mischaracterises current-day practices and presents an alternative understanding-the budget structure approach-which is based on observation of budgetary strategies used in the United State federal government during the 1980s.

He argues that federal budgeting should be strongly linked with the needs and desires of the publics and reflected in the priorities and objectives of each federal state in order to achieve high performance in the deployment of resources.

Latimer (2001) has argued that, linking strategy-based costing systems with budget preparation and implementation will create effective and flexible mechanisms of budgeting for an organisation. He also indicates that, before management sets out to change the speed and direction of a company, it needs to consider whether the existing cost structure and budget preparation system can support its new set of objectives. Without recalibrating the cost structure and budgeting systems and processes, the implementation phase often culminates in budgets that introduce more costs than the company can afford.

Sharman (1996) has indicated that planning and budgeting has been a fairly specialized field within the finance function of most organisations. It is also a management process that engages accountants in a series of activities that include establishing financial and non-financial goals, developing operational plans to meet goals, and preparing budgets to reflect the operational plans.

Then these plans will be executed and performance will be recorded in order to make a comparison between the planned and actual performance and adjust operations to respond to actual circumstances.

In his study of certain business organisations in USA, Kaufman (1992) has argued that, the clarity and communications of strategy, priorities and objectives within various levels of management and subordinates will help employees to work effectively and efficiently to implement the budgeting system within these organisations. However, if the employees don't have clarity about the strategies, objectives and priorities relevant to the budgeting systems, they may be encouraged by their management to work ineffectively and inefficiently.



He concludes the lack of managerial power and authority (highly centralised decisions-making) and poor motivation systems may be responsible for the ineffectiveness of strategic planning and budgeting systems. As a result, the top management of these organisations has to be responsible for finding better mechanisms for communication.

Bingman and Pitsvada (1998) have examined aspects of strategic planning, budgeting and reorganisation in order to evaluate what improvements have been undertaken during the last American administration to improve government performance in the USA national government.

These authors develop a model of government reform based on a series of escalating steps including internal government improvements, fundamental restructuring and reorganising of agency operations, programme reforms driven by internal management, programme reforms-driven by policy and political change, and reform of the political system itself.

Piercy (1998) has developed a market-based strategic management model as a way of summarising the new understanding of the sources of an organisation's strategic strength or vulnerability. This model can be used as a checklist to stimulate and develop strategic thinking in organisation, as a way of moving from strategic planning to real strategic delivery. The model also provides a structure for understanding the strengths of current or potential competitors. Lastly a market-based strategy provides a way of pulling together and integrating the huge number of strategy paradigms and models on offer to make sense of the most important issues in the new competitive realities that organisations are confronting.

Henderson (1997) has argued that, budgetary planning and control is the most visible use of accounting information in the management control process. By setting standards of performance, and providing feedback by means of variance reports, the accountant supplies much of the fundamental information required for overall planning and control. This author has concluded that, from its original function as a purely financial document, the budget is now generally used as a tool to formulate intelligent decisions on the management and growth of a business venture, enabling businesses to set priorities and monitor progress towards both financial and non-financial goals.

Bull (1999a) has reviewed the application of strategic management thinking and model in the context of budgetary planning and control. He mapped the main approaches and models of various strategic management schools of thought including entrepreneurial, cultural, environmental, political, descriptive, power, learning and cognitive schools.

He also suggests that accounting research should be based on the foundations of the strategic management and planning process in reviewing the practices, control, performance and financial forecasting relevant to budgetary development and application.

In his second article, Bull (1999b) has suggested that strategic planning approaches (priorities, mission, and objectives) should be used as guidance to develop effective courses of actions, programmes and budgeting systems. This type of link will improve the financial performance of the business and create effective control mechanisms within organisations.

The Report of the Steering Committee for Efficiency Studies in British Universities (The Jarratt Report, 1985) commissioned studies in six universities (University of Edinburgh, Essex, Loughborough, Nottingham, Sheffield and University College of London).

These universities were chosen as a cross-section of the system as a whole in respect of size, subject mix, undergraduate/postgraduate balance, financial structure and history.

Regarding strategic planning, the Report has indicated that strategic planning has to involve the setting of objectives, for the university as a whole and its constituent parts, which take account of relevant long term trends, and the preparation of plans with stated priorities and options for achieving those objectives.

Strategic planning usually has to be done in conditions of uncertainty. Such concept may be unrecognisable in universities. They are however, processes that other organisations have to operate in order to survive.

Thus, the main findings of the report with regard to strategic planning were;

- Objectives and aims in the universities are defined only in very broad terms. They usually take the form of general statements of intent to maintain and improve the quality of teaching and research across all subjects at present established in the institution.
- Long term planning (as opposed to medium term planning) is largely ignored.

- Some institutions have established academic plans looking two or three years ahead. In others no such plans are evident and there are certainly no corporate strategic plans that are regularly reviewed and updated.

Such limited forward planning as exists is generally at the margin. It is argued that the difficulties of tenure and associated fixed staff costs prevent more radical strategies

- There is no evidence of a thorough consideration of options and of means to arrive at objectives. In some cases the universities believe strategic planning is too difficult to be of a great value and they fall back on encouraging departments to be flexible and to have contingency plans ready.

Such strategic planning as takes place seems to be a mixture of top-down proposals which represent efforts to give academic leadership and bottom-up proposals which bring together a collection of departmental plans but then adopt the results in an uncritical way.

- There are pressures to preserve cohesion and morale, which lead to a reluctance to set priorities and even to discuss openly academic strengths and weaknesses.
- The preparation of responses to the UGCs November 1983 questionnaire stimulated some institutions to look again at the possibilities of strategic planning. They were slowly attempting to develop these processes and to review plans regularly on a rolling basis (16-18).

The Jarratt Report (1985, 18-19) found the following facts:

- (a) With the lack of strategic planning within universities and the short term planning horizons offered by the government, it is not surprising to find little relationship between long-term objectives and the allocation of resources.
- (b) Incremental allocation from an historical base emerges as the dominant approach. The reports abound with examples, particularly in relation to equipment and space.
- (c) In some universities mechanisms exist for co-coordinating the relative needs of the academic and non-academic sectors before the total picture comes before council. In others their relative needs are not examined and the division of the total cake between the academic and non-academic sectors is made on an historical basis.
- (d) In most cases resources allocation does not appear to take into account the relative strengths of departments. There are exceptions, for example, in two of the universities procedures have been developed which allocated a proportion of non-salary funds in relation to research income. These procedures also provide incentives to departments to increase research grants income.
- (e) There are genuine difficulties in dividing resources between teaching and research.
- (f) As a major omission is the lack of the systematic use of performance indicators.

Clarke (1997) has outlined the imperative of HE organisations to remain in the forefront of strategic planning and thinking. They are the breeding ground for innovative approaches to competitive and co-operative advantages in the commercial world. She draws attention to models of HE organisations that have been matched by similar strategic paradigms in business. The growing popularity of supply-side methods of competitiveness is investigated in the context of the collegiate system of HE. Core competences are now as important as customer focus in strategic planning. The author suggests that, core competences relate to all resources that a university has.

Indices give a measure of how institutions can begin to measure some of their core competences from the ground up. Another method for understanding and assessing core competences is to apply system network mapping. System networks are complex webs of interrelationships between staff and other facilities that give the organisation valuable competitive advantage and which are not easily initiated.

Abernathy and Brownell (1999) have drawn attention towards the investigation of the relationships between budgets and strategic planning in sixty-three public hospitals. They developed a hypothesized model that suggests that there is a significant and consistent association between budgets, strategic planning processes and financial performance. This study has supported its model by indicating that financial effectiveness can be achieved within public hospitals through the substantial ties between budgets and objectives, priorities, strategies and organisational plans.

Hirst and Yetton (1999) supported the above conclusion in their study of the link between budgets, organisational strategies, goals, task interdependence and

variances in financial performance. These authors have suggested that goal setting through employee participation may have significant impact on budget preparation and implementation.

Hackbart et al (1999) have argued that, much of the literature has focused on the questions of how budgets are prepared and how budget decisions are made. Minimal attention has been directed to how budgets are executed. These authors have indicated that, the budget cycle should start from the priorities, objectives, strategies set at the top and then link with the plans and budget cycle. That includes, budget preparation and submission, legislative approval of budget and appropriation of funds, budget execution and program implementation and financial audit, performance assessment, policy analysis and program planning.

Thomas (1999) has conducted a case study in one higher education institution in Britain and found that, adopting formula-based systems of resources allocation within a university can contribute in developing effective strategic planning systems and high efficiency in the deployment of resources allocated to the university. He also suggests that such a system can provide useful and up to date financial information that can be used rationally to enhance the financial and political decision-making processes within a university.

Van Der Stede (2000) has conducted an exploratory study in business organisations in USA and found that business unit strategies can be achieved through slack budgets. This helps managers in getting high flexibility and freedom in drawing their strategic plans and programmes in comparison with rigid budgets that exert severe control and place restrictions on managers. He also suggests that despite the dysfunctional impact of budget slack, managers can be more effective in achieving

strategic change when it is necessary to cope with their turbulent environments in which their businesses operate.

### **3.6 Summary and Conclusions**

This chapter has reviewed the previous literature concerning the impact of strategy on the budgeting systems within public sector organisations, particularly HEI. In addition, the problems facing budgeting systems and the lack of linkages between strategy and resource allocation were examined as well as the impact of personal and organisational factors on the strategy and budgeting systems. With this in mind, one can conclude that, the above literature seems to have the following deficiencies:

- There has been substantial lack of systematic studies that examine the impact of both strategy and personal and organisational factors on the budgeting in HEI. The only exception has been a few studies that examined the interrelationships between the dimensions of accounting control systems and strategy.
- The above literature has exhibited various problems associated with the budgeting systems in private and public sector organisations. These included slack, padding, muddled and misleading budgets, lack of flexibility, lack of technical skills, lack of a link between strategy and budgeting systems, legal and administrative difficulties, etc. In addition, these studies are descriptive in their nature. They usually lack practical and empirical assessments, which can diagnose the cause and effect of certain organisational factors on these problems.



- Following the preceding conclusion, it appears that these problems have not been thoroughly and practically examined with regard to their impact on budgeting and financial systems and the effectiveness of resource allocation and implementation. Such deficiencies need to be addressed in future studies.
- There appears to be very few studies that address the impact of both personal and organisational factors on both strategy and the budgeting systems of HEI in both western and developing countries. The limited practical evidence found in the literature helps one to justify adopting certain factors that are believed to be important in the examining of the phenomenon under investigation.
- It has been shown that there is very limited evidence that examine strategic thinking within the budget systems of universities in both developed and developing countries despite the intention of the theoretical and seminal descriptive work of certain theorists within public sector accounting writings. As a result, the literature has clearly highlighted such deficiencies through their directions for further research.

This thesis thus seeks to address the above issues in HEI of UAE through a systematic practical study that relates both personal and organisational factors with the university strategies and the process of budgeting and control within UAE HEI.

## CHAPTER FOUR

### THE RESEARCH METHODOLOGY

#### 4.1 Introduction

Silverman (2000) defined methodology as a general approach to studying research topics. While, Zikmund (2000) defined research methodology in more detail as a discussion within the body of a research report of the research design, data collection methods, sampling techniques, fieldwork procedure and the data analysis methods used. This chapter addresses these issues in the context of the objective of the thesis.

#### 4.2 Research Design

De Vaus (1991) stated that careful consideration of research design is an important way of ensuring that possible alternative explanations of data are eliminated and of giving researchers more confidence in their conclusions. To accommodate both quantitative and qualitative approaches in research design Punch (2000, 52) stated the theme of research design as:

*“Connecting the research questions to the data, showing how the research questions will be connected to the data, and what tools and procedures to use in answering them. Therefore it needs to follow from the questions, and to fit in with data.”*

Accordingly, Punch (2000) stated that the general idea of research design is to situate the researcher in the empirical world. Therefore, careful planning is required in order to achieve accurate answers to all questions designed in order to achieve the research objectives identified toward issues to be addressed (Saunders, et al 2000).

To this effect, Saunders et al (2000, 279) state:

*“Descriptive research, such as that undertaken using attitude and opinion questionnaires and questionnaires of organisational practice, will enable you to identify and describe the variability in different phenomena. In contrast, explanatory or analytical research will enable you to examine and explain relationships between variables, in particular cause-and-affect relationships.”*

Therefore, a careful research design will be set up in order to achieve the research objectives and which recognises environmental factors. The objective of the research design is to set up a precise plan using a variety of methods and techniques to obtain answers to the research questions. Several categories were selected to address to the research questions identified.

The first category is senior officials of universities and colleges in the UAE such as the chancellors, VCs and DVCs as they are the policy makers of these institutions. These respondents will address the questions of strategies and strategic planning and its links to the budgeting process within their institutions through qualitative interviews.

The second category includes senior executive managers in both academic and non-academic departments such as heads of sections, schools and departments. These respondents will answer questions about their involvement and role in strategies, planning and the budgeting process within their units and departments.

The third category includes all executive financial and budget managers to answer questions that are more technical and professional related to the budgeting process and its connection to strategy plans and programmes through qualitative interviews.

The fourth category is all ministries and federal government agencies that have direct or indirect impact on HEI policies, strategies and funding. This category will respond to the questions related to over arching governmental policies toward HEI through qualitative interviews.

It is imperative to approach all categories in order to find comprehensive answers to the research questions. This will also facilitate the examination of the level interaction between these categories. The research is thus able to use a questionnaire and to balance any deficiencies (as discussed later) with interviews

### **4.3 Research Model and Assumptions**

To achieve its objectives, this thesis has developed a model which assumes certain significant associations between personal attributes, organisational factors, strategies, plans and programmes, budget phases, financial reporting systems and centralisation of decision-making. As can be seen from the diagram depicted in Figure 4.1, the model's elements are interconnected. It is based on the literature review and practical experience of the researcher as a director of budget Department over ten years at the first and the largest university in the country (UAEU).

The first link is concerned with the significant association of both personal and organisational factors on the dimensions of a university's strategies, plans and programmes preparation and deployment and reasons for the absence of the link between university's strategy and budgeting system. In this respect, it is anticipated that, the clearness and communication of university's strategies, plans and programmes will have a significant impact on the budgetary process, effectiveness of financial reporting systems and centralisation of decision-making.

Also, certain personal attributes and organisational factors, including, educational qualification, tenure, position, participation in setting budget objectives, etc may represent the major determinants of budgeting and internal reporting systems in UAE HEI.

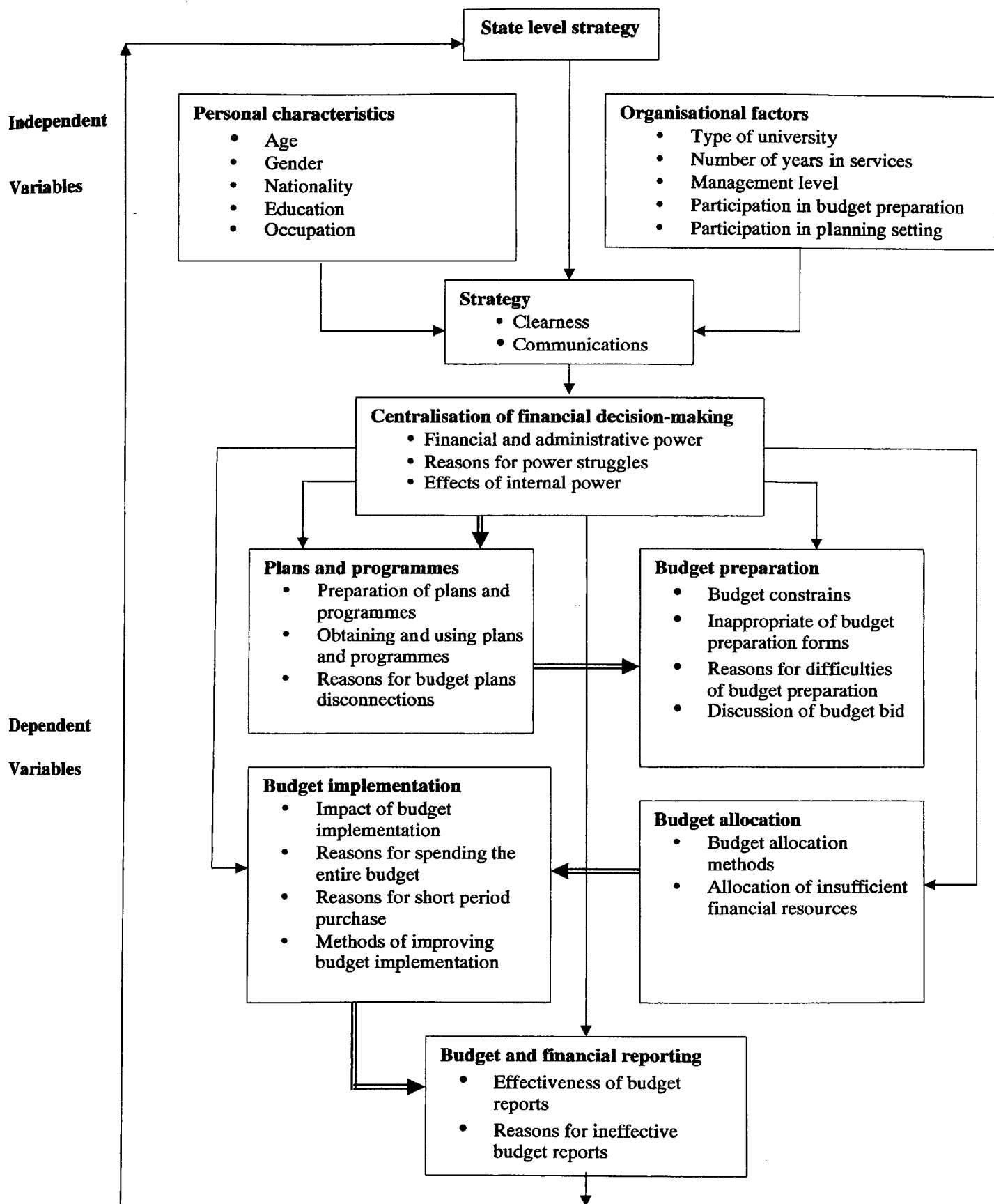
Thus, for the purposes of such a link, the dimensions of strategy adopted in this thesis are clearness and strategy communication. Plans and programmes preparation, plans and programmes obtained and deployed by the university's units, departments, and sections are considered along with the causes for the absence of the link between strategy and budget process.

Within this link, it is anticipated that the reasons for any absence will have a significant impact on plans and programmes preparation, obtaining and deployment. In addition, the above linkages are supported by chapter three (Simons, 1987; Daniel and Retisperger, 1991; Clarke; 1997; Collins et al, 1997; and Pidcock, 2001).

The second link of the research model is concerned with the significant associations and impact of personal attributes and organisational factors on each phase of the budgeting system including preparation, allocation, and budget implementation. (See double arrows in Figure 4.1)

In this respect, the present study predicts a significant impact of the former factors on the budget preparation phase including difficulties, obstacles, problems, and reasons associated with budget preparation. For this purpose, this study has adopted budget preparation constraints, reasons for difficulties arising in the preparation of the unit's budget bill, reasons for preparing unrealistic budgets, reasons for using complicated budget preparation forms, budget preparation discussions and reasons for considering discussion as a waste of time.

**Figure 4.1: The Theoretical Model and Assumptions of the Study**



It is also predicts that personal and organisational factors have significant associations and impacts on budget allocation within each university or college. These including methods of resource allocation and sufficiency of financial resources allocated to each unit, department, or section.

Regarding the budget implementation phase, this thesis assumes an association and impact of personal and organisational factors with the dimension of budget implementation. This includes factors affecting budget implementation, reasons for planning to spend the entire budget by the end of the year, reasons for purchasing the whole university's requirements within a short period of time toward the end of the year, and methods of improving budget implementation. The above linkages are also supported in the accounting literature (Otley, 1978; Campbell, 1985; Umpathy, 1987 Lee, 1992; Hoque, 1995 and Fisher et al, 2000).

The third link is concerned with the associations of personal and organisational factors with the financial reporting systems including-ineffectiveness of budget reports and reasons for having ineffective budget reports. It is expected that the former variables have an impacts on the financial reporting dimension. This link has been supported in the literature by (Cropper and Otley, 1978; HEFCE, 1995 and Drury, 1996).

Consistent with this view, the present study assumes that personal attributes and organisational factors will exhibit significant connections and influences on the dimensions of centralisation of financial decision-making consisting of the extent of the unit's financial and administrative power, reasons for power struggles within a university unit's autonomy and results of internal power negativity of a university's

unit, section or department. These associations were in line with other studies, (Jarratt Report, 1985; Chalos, 1997 and CIPFA, 1997b).

The fourth major link deals with the significant associations between the dimensions of strategy, plans and programmes preparation constraints, absence of link of strategy, plans and programmes to budget, obtaining and deployment of plans and programmes. The major phases and dimensions associated with the university's budgetary system, financial reporting systems, and centralisation of financial and administration decision-making are also considered. This link is in the same vein as (Tierney, 1981; Roberston, 1993; Goodwin and Kloot, 1996 and Groves et al, 1997). In the same way, this thesis anticipates finding significant relationships and impacts among the variables of interest in this empirical investigation.

Finally, the research model assumes that, the dimension of centralisation of financial and administration decision-making has a significant impact on the budget phases and the financial reporting systems within UAE HEI.

This thesis will also highlight the major problems associated with any absence of the linkages of strategies, plans, and programmes, with various budget phases, the financial reporting systems, and the centralisation of financial and administration decision-making within UAE HEI.

It is hoped that the above-mentioned research model will provide a useful practical framework to understand the causes and effects of the contextual and organisational factors identified. By the testing of the model through the statistical and qualitative analysis used in this thesis, it is hoped the findings can be applied to rectify and remedy any problems of budgeting, resource allocation, absence of strategic planning, and the link between the areas discussed.



As a result, this thesis will have an important contribution to make to the development of management accounting planning and control systems of UAE HEI. It will also improve understanding of the issues and direct future studies towards the practical concentration of the link between strategy, resource allocation, and budget phases.

#### **4.4 Data Collection Methods**

Al Saryaqusi (1988), Sekaran (1992), Ryan et al. (1993), Yin (1994) and Zikmund (2000) referred to several types of data collection methods, including questionnaires, interviews, documentation, experimental method, content analysis, direct observation, participant observations, archival records, and physical artefacts. Any researcher needs to acknowledge the best methods to use for particular research as far as it is affordable within budget limits and time constraints.

Similarly, Saunders et al (2000) mentioned that many researchers use questionnaires as data collection tools without considering other methods such as the examination of secondary sources of data, observation, and in-depth interviews.

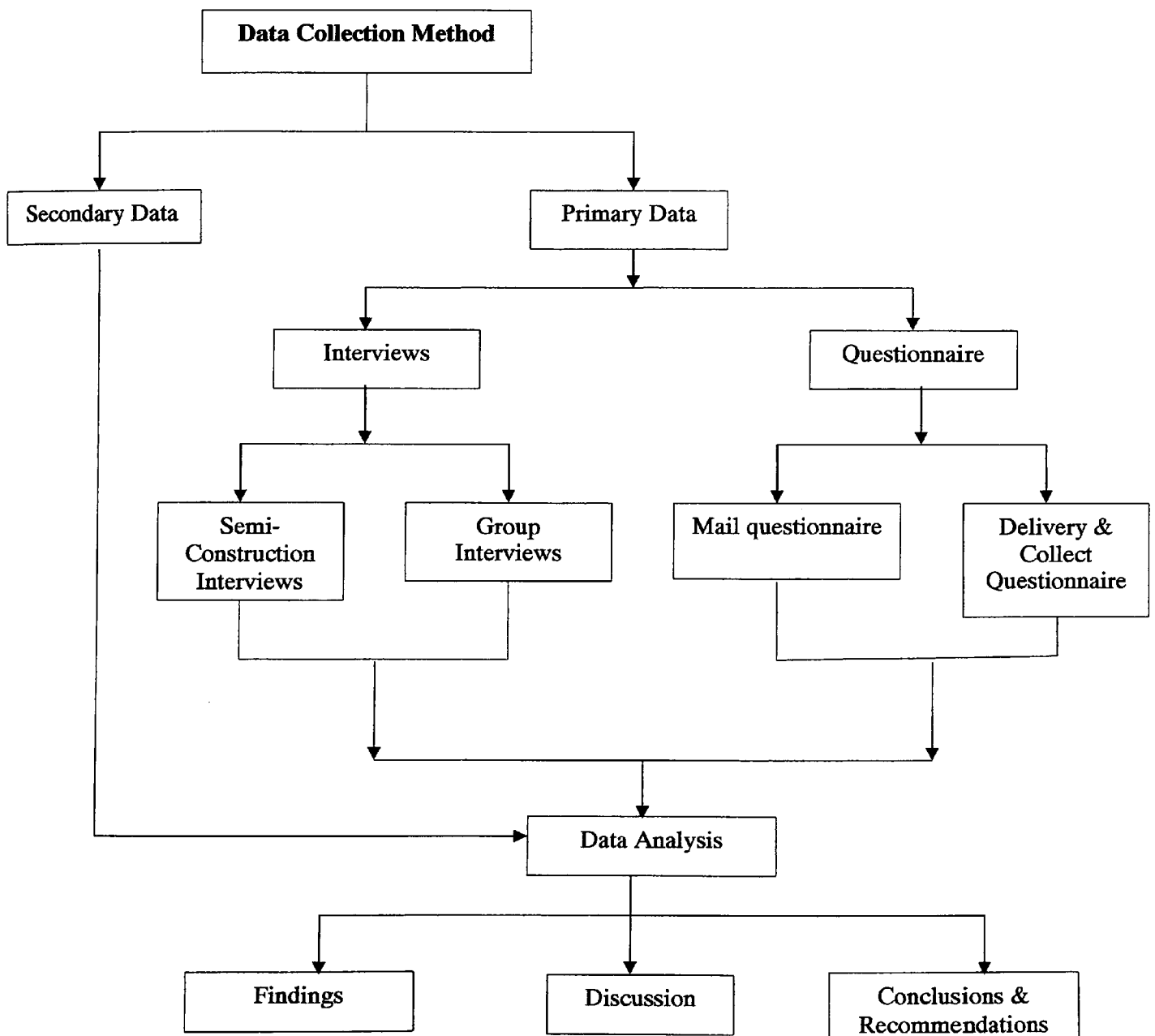
Consequently, Ferber and Verdoorn (1970), Smith (1981), Denzin and Lincoln (1994), Yin (1994), Gill and Johnson (1997), Saunders et al (2000), Jankowicz (2000) emphasised the use of triangulation methods or multi-methods. This is based on using more than one type of method and source.

The advantage of triangulation refers to its ability to establish greater validity and reliability than using only one method. Furthermore, it shares the notion of both qualitative and quantitative methodologies. Also, by using this method, the weaknesses of different methodologies will cancel out, leading to more convincing

findings. Sekaran (1992) Silverman (2000) advocates the use of multiple research sources.

Having this in mind, Figure 4.2 shows a diagram of the research data collection method plan. Details are provided in the following sections.

**Figure 4.2:** Data Collection Plan



Multiple data collection methods were used in this present study to answer and substantiate research questions. Both secondary and primary data sources were used to collect data. Questionnaires and interviews were used to collect primary data. The reason for choosing both questionnaires and interviews is due to the difficulty in collecting information addressing issues related to strategies, strategic planning and the budgetary process by only using a single research method.

#### **4.5 The Questionnaire**

Questionnaires are widely used in research, especially when using a survey method. Oppenheim (2000) argued that the questionnaire is not a list of questions to answer, but it is an important instrument of a research project comprising an “integral part of the research design stage”. Questionnaires can be used for both explanatory and descriptive research (Saunders et al, 2000).

##### **4.5.1 Questionnaire Design and Development**

The present study has developed a questionnaire (see appendix) based on the previous literature, and the experience of the researcher. Accordingly, a detailed questionnaire was developed to obtain data from a variety of senior managers, including heads of schools, heads of departments, and heads of sections of both academic and non-academic departments.

##### **4.5.2 Structure of the Questionnaire**

The first part of the questionnaire deals with the general information relevant to the subjects (senior managers) included in this study. It seeks information about age, educational qualifications, nationality, occupation, position, working experience, participation in planning and some other organisational factors.

The second part is concerned with strategy in UAE universities. This in turn is divided into two variables including strategy clearness and communication. Strategy clearness was measured by five items.

Plans and programmes are the main concerns of the third part of the questionnaire. In this part, three main factors were used including preparation, obtaining and utilizing plans and programmes and reasons for budget plans connection.

The fourth part deal with budget preparation which includes budget constraints, fitness of budget preparation forms, inappropriate budget preparation forms, difficulties of budget preparation and discussion of the budget bid. In the same way, budget allocation is the concern of part five.

The sixth part examines budget implementation regarding the impact of the implementation, reason for spending the entire budget, reasons for short period of purchases and improvement of budget strategy implementation.

In the same spirit, centralisation of financial decision-making is the concern of the seventh part of the questionnaire. This main variable was divided into three factors measuring financial and administrative power, reasons for power struggles and effects of internal power.

The final part deals with the budgeting and financial reporting system and concerns reasons for ineffective budget reports, receiving budget reports and effectiveness of budget reports.

The proceeding parts of the questionnaire were accompanied by a covering letter directed to senior managers and heads sections within UAE HEI. In addition,

these parts were piloted and administrated to a number of persons involved in this research in order to examine the validity and reliability of these items.

The questionnaire was designed to test the linkage between strategic planning, programmes and the budget process. Therefore, questions were designed to identify the level of participation in strategic plans and how often plans are approved by relevant authorities in the UAE HEI. The questionnaire was also designed to examine the budgeting process to determine reliability in preparation, allocation, implementation and reporting.

#### **4.5.3 Type of Questions Used**

Jankowicz (2000) mentioned two types of questions: *open-ended* or *close-ended*. Open-ended questions are normally used when it is required the respondents answer in their words and terms (Cohen et al, 2001). Close-ended questions relate to questions that have several possible answers and ask the respondents to choose an appropriate answer(s). Nachmias and Nachmias (1996) added *contingency question*, a type of close-ended question used as a filter to direct some category to answer some other relevant questions normally using the phrase (yes or no).

The present study used several types of close-ended question in the questionnaire. For parts two and three contingency questions were mainly used. Parts four to eight, close-ended question were also used-namely *matrix questions* (Nachmias and Nachmias, 1996). This type normally consists of a single question and a series of response categories that have the same rating scale. This type is used widely in the questionnaire in which a question has several possible answers where the responded is asked to choose the most appropriate one. A Likert scale system was

used, consisting of five possible responses. The key used consisted of five numbers, from one to five as follows:

- 1 = Strongly agree
- 2 = Agree
- 3 = Undecided
- 4 = Disagree
- 5 = Strongly disagree

The advantage of matrix questions is that they can be coded quickly and it is possible to get collective frequencies quickly and easily (Cohen et al, 2001). In addition, it is easier for the respondent to tick the most appropriate answer without using considerable time and effort to refresh their memory.

At the same time, sufficient spaces were placed with matrix questions and multiple-choice questions so the respondent had an opportunity to express themselves using their own words (Nachmias and Nachmias, 1996). Thus, the word “other reasons”, “specify please,” or “please comment” were included (Jankowicz, 2000).

#### **4.5.4 Pilot Study of the Questionnaire**

In this research, great attention was given to the pilot study. The reason for this attention was to make sure that all techniques for data collection methods are assessed before the actual field study starts. Blaxter et al (1998) stated that by using a pilot study the researcher would test research techniques and methods in practice to see whether any modification is required before the actual field study.

According to Remenyi et al (2002) pre-testing can be formal or informal. Informal pre-tests simply involved consulting a friend, colleagues or some experts. However, a formal pilot study is a replication of small scale of the sample. Remenyi mentioned several issues to assess during pilot study as follows:

*“Pre-testing provides the opportunity to assess such things as the clarity of the instructions and questions, the covering letter, the comprehensiveness of the codes/categories chosen for the pre-coded questions, the quality of the evidence and the ability to perform meaningful analysis of the evidence obtained. The time taken to complete the questionnaire, the likely response rate, the cost of administering the questionnaire, which questions are irrelevant, which are relevant, and whether questions on key issues have been overlooked can also be assessed at this time.” (151)*

Formal and informal pilot studies were used in this study. The informal pilot study took place with some postgraduate colleagues and with the research team. A formal pilot study was conducted in the UAEU and US, as presented in Table 4.1 as follow:

**Table 4.1: Participants Involved in Pilot Study**

Category	Respondents
Vice Chancellor	1
Deputy Vice Chancellor	1
Heads of Schools	2
Heads of Departments	2
Administrative Managers	2
Statisticians	3
Head of Finance Department	1
Head of Budget Department	1
Finance Department Head Sections	2
Budget Department Head Sections	2
Internal Auditors	3
Senior Accountants	5
Total participants	25

As can be seen from the table twenty five respondents were selected covering all managerial levels in the institutions under investigation. Both academic and non-academic departments were involved in the pilot test. The test also took into consideration type of occupation, department, gender, nationality, and seniority of the participants.

The pilot study also covered finance and budget personnel including budget and finance managers, head of sections and some selected senior accountants and internal auditors. The reason behind selecting these is due to the necessity to obtain feedback from those experienced in the field.

The motivation behind pre-testing the questionnaire was to assess the wording of the questions (including checking for the clarity of the questions) and whether the language used were not overly complex and the terminology understandable. Coverage and spelling and grammar were also important. The assessment embraced checking for any biased question, the length of each question, the length of whole questionnaire, and the duration to complete the questionnaire. Furthermore, it covered the sequence of the questions, the format used in the questionnaire, the appearance of the questionnaire, and checking the possibility of testing and analysing the outcomes.

The result of the pilot study was encouraging; the participants agreed on the way this questionnaire was constructed and designed, including its sequence, type of questions used, its power, and its comprehensiveness to cover the study. Statisticians tested the questionnaire and found it is possible to apply a coding system to the questions and then test and analyse the findings. On the other hand, there were some minor remarks regarding clarity of some the questions, duplication of some others, and some spelling mistakes. The only disagreement by the participants was about the length of the whole questionnaire. Some thought it is too long, whereas others thought it reasonable due to the nature of the study to tackle the whole subject. In the light of these comments, some questions were modified, and some other rephrased. Some duplicated and unrelated questions cancelled.



The study used the following steps in examining the reliability and validity of the measures.

#### **4.5.5 Validity and Reliability of the Questionnaire**

Sekaran (1992, 171) mentioned that validity and reliability are two main criteria for testing the goodness of measures. *Validity* checks whether the instrument used is measuring the right concept. On the other hand, *reliability* checks the stability and consistency of measurements. Oppenheim (2000) highlighted the difficulty of distinguishing between reliability and validity due to its interconnection. Denzin and Lincoln (1994) also focused on the relationship involving reliability and validity:

*...“Reliability,” or the stability of methods and findings, is an indicator of “validity,” or the accuracy of truthfulness of the findings.”*

#### **4.5.6 Instruments of Validity**

According to Ferber and Verdoorn, (1970, 283) the meaning of validity is “the ability of an attitudinal technique to measure what one thinks is being measured.”

Oppenheim (2000, 162) mentioned four types of validity tests used for testing goodness of measures as follows:

1. *Content validity*: This seeks to establish that the items or questions are a well-balanced sample of content of the domain to be measured.
2. *Concurrent validity*: This shows how well the tests correlate with other, well-validated measures of the same topic, administrated at about the same time.
3. *Predictive validity*: This shows how well the test can forecast some future criteria.

**4. Construct validity:** This shows how well the test links up with a set of theoretical assumptions about an abstract construct.

As mentioned above, an intensive pilot study was carried out to assess the validity of the questionnaire. Hence, twenty-five respondents were carefully selected in the UAEU and US. The proportion sample was carefully chosen from experienced intellectual candidates in both academic and non-academic departments to represent all managerial levels, including professional accountants who worked in the same field. The candidates were advised to respond to these questions and to provide feedback.

#### **4.5.7 Instruments of Reliability**

De Vaus, (1991, 54) referred to potential sources of unreliability. For instance, poor reading of questions may lead to unreliability. Moreover, on different occasions a respondent may provide different answers. In addition, different respondents in terms of sex, ethnic background, and the way of dress may influence different answers. Three features of reliability that is significant:

1. Source of unreliability: for instance, bad wording in questions may lead to unreliability. In addition, sometimes completion at different times may lead to different answers.
2. Testing reliability: Smith (1981) mentioned two points causing difficulty in measuring reliability. First, it is difficult to identify the actual reliability of a measure because it is an estimate. Second, actually measuring what is required to be measured.
3. Increasing reliability: this can be done by carefully improving wording (De Vaus, 1991), also by including in the questions sufficient explanations about purpose of the study (Hussey and Hussey, 1997).

The validity and reliability of the measures needed to be assessed in order to use the questionnaires in further analysis by the researcher. In examining these issues, the following steps were used;

1. The questionnaire was firstly translated into the Arabic language by an independent expert and distributed to a limited number of senior managers and head of departments within UAE HEI. The respondents were asked to indicate any ambiguity and unclear statements. Accordingly, certain statements were revised, adjusted and reformulated based on this pilot study. Secondly, six experts within financial and accounting specialist at UAE universities were approached and asked to report their comments, with regard to the presentation of the questionnaire on the budgeting process and its problems and constraints. Their opinions were considered with regard to certain items used in particular in reflecting the budgeting process.

2. The present study has also used certain statistical techniques to assess the reliability and validity of the questionnaires, such as, Cronbach Alpha and Intercorrelations among the items measuring each variable in question. The results of the intercorrelations for all items used in this research questionnaire will be reported in the next chapter along with the frequencies distribution tables. The study used Cronbach Alpha Coefficients as a statistical technique to examine the reliability of the measures used in this investigation. This technique has been suggested as an estimate for the reliability of the above measures by many statisticians and management theorists (Green and Tull, 1975 and Prescott, 1986).

As can be seen from Table 4.2 the Cronbach Coefficients for the measures used in this study seems to be reasonably reliable and significant. The range of these

coefficients is in between 0.64 to 0.93 at significant level of  $p < .001$  or better. This initial estimate suggests that the questionnaire is reliable.

**Table 4.2:** Cronbach Alpha Coefficients for the Measurements Used in the Present Study

The measures	Alpha Coefficients
1. Strategy clearness	0.84
2. Strategy communications	0.79
3. Preparation of plans and programmes	0.82
4. Obtaining and utilizing plans and programmes	0.88
5. Reasons for budget plans connections	0.75
6. Budget preparation constrains	0.80
7. Fitness of budget preparation forms	0.81
8. Inappropriate budget proposal (bids)	0.92
9. Difficulties of budget preparation	0.78
10. Discussion of budget preparation	0.93
11. Budget allocation methods	0.91
12. Allocation of sufficient financial resources	0.65
13. Impact of budget implementation	0.64
14. Reasons for spending the entire budget	0.73
15. Reasons for short period purchase	0.68
16. Improvement of budget strategy implementation	0.73
17. Financial and administration power	0.75
18. Reasons for power struggle	0.87
19. Effects of internal power	0.92
20. Reasons for ineffective budget reports	0.81
21. Effectiveness of budget reports	0.85

$P \leq .0001$  significant level

To sum up, two steps have been used in the examination of reliability and validity of university's strategy, plans and programmes, centralisation of financial decision-making and budgeting process content. The findings reported in this section prove that the questionnaire including the above items is valid and highly reliable. This may suggest that the problems, issues of budgeting process and centralisation of decision making are consistent with the previous literature reported earlier in this thesis.

In addition, the high reliability of the above measures reflects the practical aspects relevant to the field of this study including UAE HEI. This expectantly helps in exploring the impact, the relationship, the cause, and effect of these measures on the entire of financial budgeting system. These conclusions were checked with experienced statistician who confirmed the validity and reliability of the data techniques and for the above analysis.

#### **4.5.8 Procedure Questionnaires Distributions**

The research team approved the final version of the questionnaire. Several steps took in place before distributing the questionnaire as follows:

1. The questionnaire was retranslated into Arabic.
2. The researcher made several comparisons and checking between Arabic and English versions, checking for differences in translation and sequences. This was to prevent serious error in the analysis stage. Both versions were distributed since many of the potential respondents were non-Arabs.
3. Three hundred copies were printed in Arabic and one hundred in English.
4. The selected universities and colleges were approached supported by two official letters. The first letter signed by director of this study at University of Glamorgan. The second letter signed by DVC for Society Service Affairs at UAEU.
5. The respondents were selected with the help of the university officials (public relations office). Then a suitable number of questionnaires were handed in accordingly.

6. To increase the response rates several steps were undertaken as follows:

- Followed up weekly by contacting each institution by phone through the public relation office.
- Frequently contacted some selected individual respondents by phone or e-mail encouraging them to complete the questionnaire.
- Actual visit to some selected individuals.
- Since all universities' officials in these institutions were interviewed as a part of study, the researcher used his personal contacts to get support from these officials by asking them to send follow up notices to their subordinates encouraging them to complete the questionnaires.
- Follow up at institutions by visiting them on a two weekly cycle.

7. All completed questionnaire collected and reviewed before feeding into the SPSS program.

#### **4.6 Qualitative Interviews**

Hussey and Hussey (1997) refers to the interview as a method of collecting data in which selected participants are asked questions in order to find out what they do, think, and feel. They indicated that interviews have a higher degree of confidence than questionnaire since non-verbal issues such as attitude and behaviour can be taken in consideration.

In this study, interviews were used as a major part of the data collection method. This study could not have been achieved successfully by using a single type

of method, especially when the study involved the internal and external environment that influences HEI in the UAE.

#### **4.6.1 Types of Interviews**

Denzin and Lincoln (1994) mentioned four types of interviews-structured interviewing, semi-structured interviewing, unstructured interviewing, and group interviewing

In this research, two types of interviews were used, that is, semi-structured interviewing mainly used in most cases and in some other cases, group interviews. The reason for not choosing structured interview relates to the nature of this research and the sample. Denzin and Lincoln (1994) explained guidelines in using structured interviewing which are not applicable to this study.

Sekaran (1992) mentioned several ways that interviews could be conducted as face to face interviews, telephone interviews, and computer-assisted interviewing. In this study, face-to-face interviews were used.

#### **4.6.2 Procedure of Interviewing**

Several stages took place to achieve these interviews. The first stage related to preparation before the interview. Second stage related to behaviour through the interviews. The last stage related to actions after interviews were completed. The details of these stages as follow:

*The first stage: preparation before the interviews*

1. Official letter sent to all interviewees explaining the reason this study is being conducted, and asking to set up an appointment for the interview.

2. Contact their offices by phone to confirm that they received the letters and follow up for an appointment.
3. In some cases visiting their offices to fix an appointment.
4. Arrive in time whenever an appointment is scheduled.

*The second stage: behaviour through the interviews*

5. Introduce myself to the interviewee and exchange personal cards.
6. A brief introduction from the researcher including thanks for accepting being part of the study, explaining the theme of the study, the importance of the study to the society, assuring the confidentiality of the study and asking permission to record the interview on tape.
7. A list of questions was passed to the interviewee. The question was repeated or in some cases rephrased if not understood.
8. Atmosphere kept friendly, keeping the respondent within the context of the questions and encouraging them to talk frankly.
9. Recorded any noticeable data or ideas in writing and using tape recorder.
10. Thank respondents again for their patience and valuable time and information by the end of interview.

*The third stage: actions after interviews complete*

11. Listen to all tape recorders, rewrite the responses, using coding system, and classify in to groups ready for analysis.



12. Sent thank you letters to all respondent for their contribution to the study and time committed.

#### 4.7 The Population

Hussey and Hussey (1997) stated that when the total population is small then it is possible to collect data from the whole population, however, when the population is large, then data is normally collected from a sample of the total population.

The population consist of seven universities and colleges in UAE. Table 4.3 will illustrate these universities and colleges with some brief details as follows:

**Table 4.3: General Information of Universities and Colleges Selected for the Study**

	Name of institute	Established Date	Type	Location	Interviews		Questionnaires
					University leaders	Finance leaders	
1	UAEU	1977	Federal	Al-Ain	2	1	80
2	HCT	1988	Federal	All Emirates*	1	3	60
3	ZU	1998	Federal	Abu Dhabi & Dubai	1	2	0**
4	AUS	1997	Local government	Sharjah	1	3	0**
5	US	1997	Local government	Sharjah	1	2	20
6	ECE	1989	Semi-government	Sharjah	2	1	5
7	AUST	1988	Private	Ajman	2	1	55
Total					10	13	220

\* Except Ajman and Umm Al-Qaiwain

\*\* Questionnaire not distributed since the budgeting system was not formalised (New universities)

The reasons for choosing these institutions relate to their importance in terms of their diversity of type, maturity, nature, location, recognition, and experience as follows:

1. *Diversity in term of type:* UAEU, HCT, and ZU are Federal non-profit institutions. However, the AUS and US are the only two local authority institutions belong to the

Government of Sharjah. ECE is the only semi-governmental college in the country. AUST considered as private and profitable institutions.

2. *Diversity in term of maturity:* In this study, the researcher considered the universities and colleges established before 1990 as old universities and those established after 1990 as new universities. Thus UAEU, HCT, AUST and ECE are old universities and, ZU, US, and AUS are relatively new universities.

3. *Diversity in term of nature:* for instance some of these institutions are typical four years courses awarding bachelors of science or arts and in some cases masters degrees, on the other hand, some other are technical colleges awarding either diplomas or certificates (HCT). Some other institutions specialise in engineering courses (ECE).

4. *Diversity in term of location:* these institutions cover all geographical areas in the UAE and include all Emirates states and some of its major cities.

5. *Diversity in term of recognition:* All these institutions are recognized and approved by MHE. Beside that, all of these institutions are members of the Arab Bureau of Education for the Gulf States. In addition to that, there is a great interest and acceptance of these universities by both society and government Thus; the majority of the students enrol in these institutions.

6. *Diversity in term of experience:* These institutions are well established and organized in term of management and financial affairs. Beside that, they employ competent staff with substantial international experience in their field's experience. Thus, these universities correlate in term of credibility, stability, and continuity.

#### **4.7.1 The Sample**

Ferber and Verdoorn (1970) argued that perfect accuracy in sampling is not essential since it is impossible when considering sources of errors and sampling variations. However they agreed with Remenyi et al (2002) that it is important that the sample represents the total population in order get a high degree of accuracy to allow generalisation to the whole population. He indicated that when the sample does not represent the whole population then the result might be biased.

In the same context, Miller (1987) reported three sorts of questions to ask when identifying the sample for a study. The first question relates to how to identify the sample. The second question relates to the type of population needed. The last question relates to how to allow generalisation from a selected population. All these questions will be acknowledged in this study.

#### **4.7.2 Sampling Strategies**

Blaxter et al (1998) pointed out the two types of sampling, that is, probability and non-probability sampling. Smith (1981) and Oppenheim (2000) defined probability-sampling methods when every member of the population statistically has an equal chance to be selected.

Zuwaylif (1980) referred to non-probability sampling to a situation when some units in the population are not given any chance of being selected, or the sample cannot be determined or is not known. Table 4.4 demonstrate all types of sampling strategies for probability and non-probability sampling.

**Table 4.4: The Sampling Strategies**

<b>Type of Sampling</b>	<b>Explanation</b>
<i>Probability sampling</i>	
Simple random sampling	Selection at random
Systemic sampling	Selecting every nth case
Stratified random sampling	Sampling within groups of populations
Cluster sampling	Surveying whole clusters of the population sampled at random
<i>Non-probability sampling</i>	
Convenience sampling	Sampling those most convenient
Voluntary sampling	The sample is self-selected
Quota sampling	Convenience sampling within groups of the population
Purposive sampling	Hand-picking supposedly typical or interesting cases
Dimensional sampling	Multi-dimensional quota sampling
Snowball sampling	Building up sample through informants
<i>Other kinds of sampling</i>	
Event sampling	Using routine or special events as the basis for sampling
Time sampling	Recognising that different part of the day, week or year may be significant

Source: Blaxter et al (1998, 79)

In this study, a careful plan and a precise strategy were taken in defining the samples to be drawn from the total population. Thus, probability, and non-probability sampling was used in this study.

#### **4.7.3 The Questionnaire Sample**

Since the population is relatively small, the sample included all senior executive managers in both academic and non-academic departments.

Table 4.5 will illustrate the sample size through all universities and colleges. As it is clear from the table, 285 questionnaires hand in to these universities and colleges, only 220 copies were distributed. Only 115 copies received out of the total copies handed out. The percentage of the copies returned is 53%.

**Table 4.5: The Size of the Sample Where the Questionnaire Distributed**

	<b>Name of Institution</b>	<b>Hand in</b>	<b>Handout</b>	<b>Received</b>	<b>Percentage</b>
1	UAEU	100	80	45	56%
2	HCT	70	60	39	65%
7	ZU	5	5	4	80%
6	AUS	25	0	0	0*%
5	US	25	25	11	44%
4	ECE	60	50	16	32%
3	AUST	25	0	0	0*%
<b>Total</b>		<b>285</b>	<b>220</b>	<b>115</b>	<b>53%</b>

\*No questionnaire distributed to these universities (New universities)

The reason behind choosing all population attributes to the population being relatively small, especially when excluding units without any assigned managers or units that are not active for example no staff assigned yet. Or as in new universities the questionnaire was not distributed since most of managers were new and not familiar with the financial and budgeting system as in ZU and AUS.

Certain condition applied in order to choose these candidates. For instance, their administrative units must be active, in another word it has to have sufficient staff that utilizes plans, and programmes in the units. In addition, these managers must have some authority and responsibilities in setting plans and participate in budget preparation for their units.

#### **4.7.4 The Interviews Samples**

Since this study is investigating three important subjects, three categories were approached for face-to-face qualitative interviews as follows:

1. Senior officials of universities and colleges
2. Finance and budget managers of universities and colleges
3. Federal government ministries and agencies

#### 4.7.4.1 The Interview Sample for HEI Officials

The first interview sample included ten candidates from top-level management and included four chancellors and five VC and one DVC in all universities. These officials are responsible for setting strategies and policies of their institution. Table 4.6 shows a list of HEI officials chosen to obtain qualitative face-to-face interviews.

**Table 4.6:** List of the Universities and Colleges Officials Interviewed

	<b>Name of interviewers</b>	<b>Position</b>	<b>Name of institute</b>	<b>Place of interview</b>	<b>Date of interview</b>
1	Dr. Hadeef Joan Al-Dhahiri	Vice Chancellor	UAEU	Al-Ain	26-3-2001
2	Dr Ahmed Al-Mutawa	Deputy Vice Chancellor	UAEU	Al-Ain	18-3-2001
3	Dr. Philep Anderson	Vice Chancellor	HCT	Abu Dhabi	11-2-2001
4	Dr. Haneef Al-Quassimi	Vice president	ZU	Dubai	28-2-2001
5	Dr. Roderick S. French	Chancellor	AUS	Sharjah	25-3-2001
6	Dr. Isam H. Zabalawi	Chancellor	US	Sharjah	14-2-2001
7	Mr. Salim M. Al-Owais	College Manager	ECE	Sharjah	14-2-2001
8	Dr. Rob Milne	Acting Director of	ECE	Sharjah	14-2-2001
9	Dr. Saeed Abdulla Salman	President and Ex-Minster	AUST	Ajman	13-2-2001
10	Dr. Basheer Shahata	Vice President	AUST	Ajman	06-2-2001

#### 4.7.4.2 The Interview Sample for HEI Financial and Budget Managers

The second interview sample is composed of financial leaders and included thirteen senior executive finance and budget managers representing all universities and colleges. Table 4.7 shows lists of selected executive finance and budget managers for qualitative interviews.

**Table 4.7: List of Budget Financial Executive Managers Interviewed**

	<b>Name of interviewers</b>	<b>Position</b>	<b>Name of institute</b>	<b>Place of interview</b>	<b>Date of interview</b>
1	Mohammed Al-Qumzi	Deputy of General Secretary of Finance Affair	UAEU	Al-Ain	24-3-2001
2	Daniel C. Bryant	Director of Finance and Administration	HCT	Abu Dhabi	07-2-2001
3	Mohammad Al-Khatib	Finance Manager	HCT	Abu Dhabi	11-2-2001
4	Randa El-Khoury	Planning and Budget Manager	HCT	Abu Dhabi	11-2-2001
5	Larry I. Dawson	Deputy Vice President	ZU	Dubai	20-2-2001
6	Christos E. Cassis	Director of Finance Services	ZU	Dubai	20-2-2001
7	Fouad M. Sayess	Executive Director for Finance & Administration	AUS	Sharjah	21-2-2001
8	Mona Shihabi	Associate Comptroller	AUS	Sharjah	21-2-2001
9	Reem Al-Alami	Budget Analyst	AUS	Sharjah	21-2-2001
10	Wassim Ghalayini	Finance Director	US	Sharjah	07-2-2001
11	Fadlalla El-Mubarak	Budget Controller	US	Sharjah	07-2-2001
12	Salim M. Al-Owais	College Manager	ECE	Sharjah	23-2-2001
13	Thamer Saeed Salman	Finance Manager	AUST	Ajman	04-7-2001

These candidates are responsible for directing and supervising the budgeting process through their institutions. The questions asked were related to the budgeting cycle and its links to the university strategic planning.

#### **4.7.4.3 The Interview Sample for Federal Government Agencies**

The third interview sample selected key personal to represent several federal government ministries and agencies. A non-probability sampling method was used to select the candidate and is convenience-sampling technique. Selected ministries have a direct or indirect impact on HEI. Table 4.8 shows six candidates selected for in depth interviews.

**Table 4.8: List of Interviews with Ministries and Federal Agencies**

	<b>Name of interviewers</b>	<b>Position</b>	<b>Name of ministry</b>	<b>Date of interview</b>
1	Abdullatif Hammad	Deputy Minister	MP	19-2-2001
2	Ahmed Shabeeb Al-Dhahiri	Member of the FNC	FNC	22-2-2001
3	Hammed Al-Hassani	Deputy Minister	MHE	03-7-2001
4	Khaled Al-Bbustani	Assistance Deputy Minister	MFI	20-3-2001
5	Mohammed Al-Shamisi	Director of Budget Department	MFI	
6	Tarik Al-Sati	Consultant	SAI	19-3-2001

The reasons for choosing these ministries and agencies are:

1. MHE is responsible for setting up the policy of HE and award accreditation for private institutions and has supervisory relationship with all institutions.
2. MFI is the sole funding body for all federal universities.
3. MP is responsible in setting up strategies and strategic planning.
4. SAI has a major role in inspecting, auditing, and assessing the performance of the Federal HEI.
5. FNC of UAE is in charge of assessing the government's performance.

#### **4.8 Cross Tabulation of the Samples**

As indicated earlier, the sample for this study includes senior and junior positions within the managerial and financial systems of UAE universities and colleges. As can be seen from Table 4.9 88% of subjects are males compared with less than 12% females. Among these institutions, both UAEU and HCT have more than 70% of male compared with 10.9% male in US. Similarly, Table 4.9 shows that UAEU and HCT have the highest percent of female in comparison with rest of UAE HEI. This suggests that the system of HEI in UAE relies mostly on males rather than females due to the culture, tradition, values of Islam and attitudes.



**Table 4.9: Cross Tabulation of University and Gender of the Sample**

University		Gender		Total
		Male	Female	
UAEU	Count	36	9	45
	% with Gender	35.6%	64.3%	39.1%
HCT	Count	35	4	39
	% with Gender	34.7%	28.6%	33.9%
AUST	Count	15	1	16
	% with Gender	14.9%	7.1%	13.9%
US	Count	11		11
	% with Gender	10.9%		9.6%
Other	Count	4		4
	% with Gender	4.0%		3.5%
Total	Count	101	14	115
	% with Gender	100.0%	100.0%	100.0%

In considering the cross tabulation of gender with location, Table 4.10 reports that more than 48% males are located in Al-Ain campus compared with 5.9% in Fujairah and Ras Al Khaimah. In the same way, Al-Ain has more than 70% of females included in this study compared with 7.1% or less in Dubai and Fujairah. One can note that the majority of academics and administrative staff are located in the cities of Al-Ain and Sharjah.

**Table 4.10: Cross Tabulation of Location and Gender of the Sample**

Location		Gender		Total
		Male	Female	
Abu Dhabi	Count	7	2	9
	% with Gender	6.9%	14.3%	7.8%
Al-Ain	Count	46	10	56
	% with Gender	45.5%	71.4%	48.7%
Dubai	Count	10	1	11
	% with Gender	9.9%	7.1%	9.6%
Sharjah	Count	22		22
	% with Gender	21.8%		19.1%
Ajman	Count	4		4
	% with Gender	4.0%		3.5%
Fujairah	Count	6	1	7
	% with Gender	5.9%	7.1%	6.1%
Ras Al Khaimah	Count	6		6
	% with Gender	5.9%		5.2%
Total	Count	101	14	115
	% with Gender	100.0%	100.0%	100.0%

Table 4.11 reports that less than 18% of male have senior positions within UAE educational institutions, such as, Dean, Vice dean, compared with 82% heads of departments and sections within both academic and administrative fields.

In contrast, none of females has senior positions within UAE HEI. This could also be due to the peculiar culture and attitudes of university leadership in UAE.

**Table 4.11: Cross Tabulation of Position and Gender of the Sample**

Position		Gender		Total
		Male	Female	
Dean	Count	7		7
	% with Gender	6.9%		6.1%
Vice Dean	Count	11		11
	% with Gender	10.9%		9.6%
Head Section (Academic)	Count	33	7	40
	% with Gender	32.7%	50.0%	34.8%
Head Dept. (Administrative)	Count	21	1	22
	% with Gender	20.8%	7.1%	19.1%
Head Section (Administrative)	Count	19	4	23
	% with Gender	18.8	28.6	20.0%
Other	Count	9	2	11
	% with Gender	8.9%	14.3%	9.6%
No answer	Count	1		1
	% with Gender	1.0%		.9%
Total	Count	101	14	115
	% with Gender	100.0%	100.0%	100.0%

In examining the level of education, Table 4.12 indicates that 53% of the sample has PhD, 20.5% Master, 20% Bsc. or B.A. and only 3.5% have less than that. Among UAE universities UAEU, US, and AUST have the highest percentages of staff with PhD qualifications compared with only 23.1% At HCT.

Whereas, this later college has more than 48% of its academic staff with master degree in comparison with other UAE universities which have less than 6% of their staff with this degree.

**Table 4.12: Cross Tabulation of Level of Degree and Universities Involved in the Sample**

Level of education	University					Total
	UAEU	HCT	AUST	US	Other	
Below First University	Count	2	2			4
% with university	4.4%	5.1%				3.5%
B. Sc/B.A.	Count	11	7	4		23
% with university	24.4%	17.9%	25.0%		25.0%	20.0%
Master	Count	2	19	1	1	23
% with university	4.4%	48.7%	6.3%	9.1%		20.0%
Ph.D.	Count	29	9	10	10	61
% with university	64.4%	23.1%	62.5%	90.9%	75.0%	53.0%
Others	Count		2			2
% with university		5.1%				1.7%
No answer	Count	1		1		2
% with university	2.2%		6.3%			1.7%
Total	Count	45	39	16	11	115
% with university	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4.13 shows that more than 66% of the staff have got their qualification either from Europe or USA and 33% or less have graduated from Asia, UAE and others.

**Table 4.13: Cross Tabulation of Qualification Place and Universities Involved in the Sample**

Place of qualification	University					Total
	UAEU	HCT	AUST	US	Other	
UAE	Count	8	1			9
% with university	17.8%	2.6%				7.8%
Asia/Africa	Count	12	4	7	3	27
% with university	26.7%	10.3%	43.8%	27.3%	25.0%	23.5%
Europe/Aust.	Count	8	15	6	5	37
% with university	17.8%	38.5%	37.5%	45.5%	75.0%	32.2%
U.S.A.	Count	16	18	3	3	40
% with university	35.6%	46.2%	18.8%	27.3%		34.8%
No answer	Count	1	1			2
% with university	2.2%	2.6				1.7%
Total	Count	45	39	16	11	115
% with university	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Following the preceding findings, Table 4.14 reports that 39.1% of the staff are Arab nationality, 18.3% Americans, 10.4% Europeans, 27% UAE and 9% from other origin. Among these universities, AUST and US have the highest Arab

graduates in comparison with HCT and other universities. HCT has the highest American and European staff among all HEI in UAE.

**Table 4.14: Cross Tabulation of Nationality and Universities Involved in the Sample**

Origin	University					Total
	UAEU	HCT	AUST	US	Other	
UAE	Count	29	1		1	31
	% with university	64.4%	2.6%		9.1%	27.0%
Arabs	Count	16	3	15	10	45
	% with university	35.6%	7.7%	93.8%	90.9%	39.1%
European	Count		10		2	12
	% with university		25.6%		50.0%	10.4%
American	Count		20	1		21
	% with university		51.3%	6.3%		18.3%
Other	Count		4		1	5
	% with university		10.3%		25.0%	4.3%
No answer	Count		1			1
	% with university		2.6%			.9%
Total	Count	45	39	16	11	115
	% with university	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4.15 indicates that 67% of total sample were academic comparing to 27% administrative, 5.2% accounting, and budgeting staff. The table indicates that AUST and US have the highest academic staff in comparison with only 9.1% administrators. This could be because certain institutions have been recently established, such as, SU. These newly developed bodies are still designing their administrative, accounting and budgeting systems in order to achieve their objectives.

**Table 4.15: Cross Tabulation of Types and Universities Involved in the Sample**

Degree	University					Total
	UAEU	HCT	AUST	US	Other	
Academic	Count	25	27	11	10	77
	% with university	55.6%	69.2%	68.8%	90.9%	67.0%
Administrator	Count	19	7	4	1	31
	% with university	42.2%	17.9%	25.0%	9.1%	27.0%
Accounting & Budgeting	Count	1	4	1		6
	% with university	2.2%	10.3%	6.3%		5.2%
No answer	Count		1			1
	% with university		2.6%			.9%
Total		45	39	16	11	115
		100.0%	100.0%	100.0%	100.0%	100.0%

To sum up, the majority of the samples involved in this study are male, PhD holders, Arabs who are mostly heads of sections. They also graduated mostly from either American or European countries, particularly, UK. In addition, UAEU and HCT have relatively higher administrative, accounting, and budgeting staff compared with other educational institutions in the country.

#### **4.9 Data Analysis Methods and Techniques**

Three stages were involved in this study to analysis the data. The first stage was to analyse secondary data. The second stage was to analysis data generated by the questionnaire. The third stage was to analyse data gathered by interviews. These stages are discussed bellow in further details.

##### *First stage: analysing secondary data.*

The secondary data gathered required a variety of methods and techniques to analyse, including the tabulation of data. This method allowed using effective percentage techniques in order to draw better conclusions from the results. Moreover, it is possible to compare between data in order to recognize notable differences (Diamond and Jefferies, 2001).

##### *Second stage: analysing data gathered by questionnaire.*

Since the analysis contains quantitative and qualitative data, then a variety of statistics methods and techniques were required to analyse the data.

In order to achieve the objectives of this study, data was collected, classified into variables and coded. In this respect, Statistical Package for Social Sciences (SPSS-X) was used to input the data collected and general descriptive statistical tests

conducted. This included frequency distributions, percentiles and cross tabulations. In addition, the plan for the data analysis revolved around two stages consisting of testing reliability and validity of the measurements undertaken in this research as well as the examination of the relationships between personal and organisational factors, strategic planning, budgetary process, centralisation and budget reporting system.

Thus, the first stage was to conduct construct reliabilities/validities checks and using several statistical techniques, such as, Cronbach Alpha Coefficients and intercorrelation matrices between the items representing each variable of interest. It is thought that these techniques verified the validity of these data. These techniques have also been used by other studies undertaking similar research.

The second stage included the testing of the theoretical model of this thesis and its associated predictions and associations. This was conducted by using two common and powerful statistical techniques-Pearson correlations and Multiple Regression analysis. The former technique was conducted in the examination of the relationships between the variable of interest in this study. The latter technique was mainly used to assess the impact of personal and organisational factors on the strategic planning, budgetary process, centralisation of financial and administration decision-making and budget reporting.

In addition, this study examined the impact of strategic dimensions on the budgetary process, centralisation of financial and administration decision-making and budget reporting by using multiple regression analysis. The above two statistical techniques were deployed by several financial and accounting studies and this proves that they are suitable in presenting the results of this thesis.

*Third stage: analysing data gathered by interviews*

Once the data from the interviews was collected then the next step was to analyse the result. Sekaran (1992) points out that qualitative data is information collected in a narrative form through interviews. Cohen et al (2001, 282) mentioned several stages when analysing interviews, the first stage is to generate natural units of meaning; second is to classify them in units; and third, to describe interview contents. The forth stage is to interpret the interview data. All these stages were followed in order to acquire meaningful results.

#### **4.10 Conclusion**

This chapter explained the methodology used in the study. The methodology is based on using the triangulation principal and involved using multiple sources of data and methods. In addition, this chapter built a theoretical model to be tested. The chapter reviewed a variety of data collecting methods. The chapter covered tests of validity and reliability. Moreover, it is included an explanation of the methods of selecting samples. Finally, it reviewed methods and techniques used in analysing the data. All results of data analysis will be presented in the coming chapters.

## **CHAPTER FIVE**

### **DATA PRESENTATION**

#### **5.1 Introduction**

Following the preceding chapter on research methodology, this chapter examines the nature and type of data collected for the purposes of this thesis. The data is presented by using descriptive statistics, such as, frequencies distribution, and percentages. In addition, intercorrelations were used to examine the internal consistencies of variables examined in this research.

#### **5.2 Strategies of UAE Universities and Colleges**

The present study has examined strategies of HEI in the UAE and their impact on budget planning, execution and control. In doing so, the researcher has developed eight items measuring two dimensions-strategy clearness and communication and assessed their links with UAE HE strategy. It is anticipated that these variables play vital roles in formulating budgeting and control systems, and in the resource allocation process. Five items were used to measure strategy clearness and three others for strategy communication. Results relevant to these variables are presented in the following sections.

##### **5.2.1 Clearness of Strategic Vision and Objectives**

This dimension is operationally defined as the extent to which a university's strategic vision; priorities and objectives are clear and linked with UAE HE strategies. It has been measured by using five questions relevant to the clearness of UAE HE



strategy in relation to individual universities strategic planning processes, absence of clear university's strategy, involvement in formulating a clear university's strategy and vision, the clearness of the university's strategy and information involved in formulating that university's strategy. The respondents were asked to indicate whether or not such clearness exists.

As can be seen from Table 5.1, more than 80.0% of the sample believed that UAE universities have clear strategies and objectives, in contrast to only 8.7% of individuals who thought otherwise. However, only 10.4% of the respondents indicate that they do not know whether the university's strategy is clear or not. Despite this positive view of the respondents toward the clearness of such strategies, the semi-structured and qualitative interviews conducted by the researcher suggest that the clearness of the strategic visions, priorities, and objectives are not as clear or as well developed as is indicated by these statistics. This view has also been confirmed by two VCs and DVC who also indicated that there is a very low awareness of university strategies, priorities and objectives and their links with budget and resource allocation among their academic, administrative, financial and accounting staff. This is in line with Grove et al (1997) and Pidcock (2001)'s assumptions of the lack of clearness and involvement in formulating universities' strategies

**Table 5.1: Frequency Distribution of Clear Strategy and Objectives within HEI**

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	93	80.9
No	10	8.7
I don't Know	12	10.4
Total	115	100

Following this line of thought, Table 5.2 shows that, 54.8% of the respondents think that, there is no clear governmental HE strategy in comparison with 30.4% who think otherwise and 14.8% who do not know.

**Table 5.2:** Frequency Distribution of Clear Governmental HE Strategy

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	35	30.4
No	63	54.8
I don't Know	17	14.8
Total	115	100

These results could indicate that, the lack of awareness of strategic vision, priorities and objectives of the HE system has an important impact on the planning systems of these institutions and their abilities to formulate and implement their financial plans and control. This has been the case if one considers the results reported in Table 5.3.

Specifically, Table 5.3 reports that 65.2% of the respondents think that the absence of a clear university's strategy is due to the absence of a government HE general strategy in comparison with 7% that think otherwise and 27.8% who do not know.

**Table 5.3:** Frequency Distribution of the Absence of Clear University Strategy

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	75	65.2
No	8	7
I don't Know	32	27.8
Total	115	100

The above strong responses to the preceding two questions could refer to the absence of clear strategies for entire HE of UAE and their institutions and their links to the resource allocation and budgetary and control process. In this respect, the semi-

structured interviews conducted by the researcher with key university and college personnel, indicate that, there has been a strategic vision, priorities, and objectives for the main UAE HEI. For instance, two VCs have noted that there has been a clear strategy for learning and teaching programme, research, and supporting services, community courses and short training courses. However, these strategies have not been acknowledged and approved by MFI by allocating sufficient financial resources. This resulted in cancellation or delays in some of the plans and projects. In addition, a VC has noted that there is a complete absence of strategic planning by UAE central government and its connection with resources allocation within his institution. He added that the university has suffered from a problem of chronic under-funding which affects the efficiency and effectiveness of the entire institution in achieving its learning and teaching programmes.

It is also believed that, the lack of clear strategies by UAE central government and their link with the resources allocation process has left UAE universities and colleges with inadequate financial resources to manage their plans and programmes.

Table 5.4 reports that 63.4% of the respondents have not been involved in formulating and revising their university's strategy compared with 34% that have done so and 2.6% who do not know. These finding are confirmed by key personnel within UAE HEI during the qualitative interviews that universities have been trying to introduce strategic planning as a way of rationalising expenditure, managing teaching, and leaning programmes with inadequate financial resources. This has not involved participation by managers. This view is supported by the previous literature, particularly HEFCE (1998) and Pidcock (2001).

**Table 5.4:** Frequency Distribution of Involvement in Formulating and Revising University Strategy

Types of Answer	Frequency	%
Yes	39	34
No	73	63.4
I don't Know	3	2.6
Total	115	100

Similarly, Table 5.5 reports that 74.8% of individuals involved in this study have not been asked for information related to their work in formulating university strategies, compared with only 21.7% who have done so and 3.5% who did not know.

**Table 5.5:** Frequency Distribution of Information Relating to Strategy Formulation of UAE Universities and Colleges

Types of Answer	Frequency	%
No	86	74.8
Yes	25	21.7
I don't Know	4	3.5
Total	115	100

These results indicate that in UAE universities relatively senior executive managers have no involvement in formulating and revising university strategies and objectives prior to publication since such decisions are taken mostly by the central administration of the university. Several university officials within these institutions have confirmed this explanation during the interviews. As a result, the clearness, understanding, and awareness of the strategic visions, objectives, plans, and programmes have been seriously affected.

### **5.2.2 Strategy Communication**

Consistent with the preceding analysis, three items were used to measure strategy communication. This dimension was operationally defined as the extent to which strategic visions; priorities and objectives are perceived, communicated, and understood by universities and colleges' staff as well as senior governmental officials.

In this respect, the results reported in Table 5.6 show that 41.7% of the respondents think that universities' strategies have been communicated to them after their approval, in contrast to 51.3% who do not think so and 7% who did not know.

**Table 5.6: Frequency Distribution of Strategy Communication**

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	48	41.7
No	59	51.3
I don't Know	8	7
Total	115	100

These responses are in line with the earlier views expressed by senior officials within UAE HEI that there is a lack of awareness of strategies, priorities, objectives, and their connections with the resource allocation and budgetary process. This lack could have resulted in deficiencies in achieving learning and teaching programmes and the other activities incorporated in these strategies. As was noted by the VCs of these institutions, these strategies are mainly formulated and approved by the university central administration. This means that university and college senior executive staff (such as heads of schools and departments) has little or no involvement or participation in taken decisions pertaining to these issues. This in turn has resulted in the lack of awareness and communication of these strategies among universities and colleges staff. This has significant implications for the management of these institutions as participation is a factor which can potentially affect commitment to plans and policies.

Following from this, Table 5.7 shows that the majority of the respondents 81.8% believe that the lack of employee participation in formulating strategic planning within these institutions has a substantial impact on their effectiveness and

efficiency in achieving their objective and strategic priorities, compared with 5.2% with do not think so and 13% who did not know.

**Table 5.7:** Frequency Distribution of Individuals' Participation in Strategy Formulation

Types of Answer	Frequency	%
Yes	94	81.8
No	6	5.2
I don't Know	15	13.0
Total	115	100

These results are indicative of the lack of understanding and awareness of the importance of strategy among the staff of these institutions. As a result, this could have a serious impact on the financial planning and resources allocation process and eventually universities and colleges' abilities to meet their objectives successfully. In addition, the above findings generally support the views of key officials within these institutions relevant to the lack of employees' participation and a high centralisation of financial and administrative decision-making.

Despite these negative views of the respondents toward employee participation, the results presented in Table 5.8 shows that 50.4% of them prefer to follow top-bottom approach in communicating strategic visions, priorities, objectives and plans and programmes, in comparison with 39.2% with the preference of both ways communication and 10.4% with the preference for a bottom-top approach.

**Table 5.8:** Frequency Distribution of Individuals' Preferences for Strategy Formulation

Types of Answer	Frequency	%
Top to bottom	58	50.4
Bottom to Top	12	10.4
Both direction	45	39.2
Total	115	100

In this respect, the interviews conducted by the researcher with two VCs have indicated that the preference of top-down approach in strategy communication is consistent with the attitudes and tendency of senior universities officials toward centralisation and bureaucratic strategies of control used by these institutions. As a result, such an approach has limited the perception and understanding of strategic vision among the staff and eventually contributes to potential weakness in the strategy-budget connection. What these findings appear to indicate is that the process is acceptable but communication is where the system falls down.

### **5.3 Plans and Programmes**

In this section, the results of two main dimensions are considered, including preparation of plans and programmes, and obtaining and utilising them within UAE HEI. The respondents were asked three questions concerning preparing plans according to the university strategy, the utilisation of plans in preparing unit budgets and the approval of these plans by institutions. In addition, the respondents were asked other questions related to the reasons for not linking plans and programmes with the budgets, consisting of accessing unit plans and programmes, linking plans and programmes with the university general strategy, difficulties in obtaining unit's plans and programmes and the necessary of linking other plans and programmes with the university budget and its units. The results for the items measuring these dimensions are reported in the following sections.

#### **5.3.1 Preparation of Plans and Programmes**

Accordingly, Table 5.9 shows that 58.2% of the respondents have not been asked to prepare plans arising from their university's strategy, in comparison with 39.2% who have.

This result means that either key administrators or financial staff have not considered the university strategy or there has been a lack of understanding and awareness of the link between strategy and plans. It is noteworthy to indicate that the qualitative interviews with senior officials and financial staff of these institutions seem to prove these views are the case since strategic planning has mainly been the responsibility of the university central administration. More specifically, the interviews conducted with a DVC for Planning indicate that even though the university strategies, plans, and programmes are approved however these strategies, plans, and programmes are not linked with the resource allocation and budgetary process. More a Director of Finance at one university stressed that long term plans do not succeed due to under funding by MFI perhaps suggesting that the senior management see little point in this process.

**Table 5.9:** Frequency Distribution of Plans Preparation Arising from University Strategy

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	45	39.2
No	67	58.2
I don't Know	3	2.6
Total	115	100

In support of these views, Table 5.10 shows that 64.3% of respondents believe that the university's plans and programmes are not considered in the preparation of budget and the internal resource allocation process in comparison with 29.6% that think otherwise and 6.1% of the respondents don't know.

**Table 5.10:** Frequency Distribution of Plans Included in the Unit Budget Bill

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
No	74	64.3
Yes	34	29.6
I don't Know	7	6.1
Total	115	100



In viewing these results, a qualitative interview conducted with a VC has confirmed that there is no such link between strategy plans, resource allocation and budgeting since the university has been funded insufficiently and has inadequate financial resources to meet its priorities, strategic vision and objectives. This case was confirmed when two VC admitted that the university plans and programmes are not linked with the budget and a change is planned to create a mechanism to assure budget-plan-strategy connection. The result of this potential experiment should prove interesting.

Likewise, Table 5.11 shows that 73% of the respondents think that university officials have to approve the plans and programmes before inclusion in their university's budget bill (bid). However, 20.9% of the respondents believe that these plans and programmes are not fully considered and included in the budgetary process, since the university central administration does not consider them during the resource allocation process; and 6.1% of the respondents don't know.

**Table 5.11:** Frequency Distribution of Plans Approval within UAE HEI

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	84	73.0
No	24	20.9
I don't Know	7	6.1
Total	115	100

Discussion with senior financial managers stated that, MFI uses an incremental top-slicing approach in assigning resources to each university. This was further confirmed during the interviews, with budget managers and senior officials who indicated that, the resources received are then allocated on the basis of the previous budget figures plus percentages of annual increments imposed by MFI. As a result, some of these institutions have slack budgets to achieve their priorities and objectives,

while others have very tight and limited resources to deliver any activities. This suggests that unless changes are made historical inequities will continue.

### **5.3.2 Obtaining and Utilising of Plans and Programmes**

This thesis has considered three items to represent the dimension of obtaining and utilising university's plans and programmes. This dimension is concerned with obtaining university's plans and programmes, linking plans and programmes with the university's strategies in use and using the link between strategy and budgetary process at MFI level in managing the plans and programmes under conditions of inadequate financial resources. The respondents were asked to indicate whether these plans and programmes are accessible, obtainable, used and managed in the budgetary process associated with the missing link between strategies, plans, programmes and inadequate financial resources. Accordingly, Table 5.12 reports that 52.2% of the respondents think that their university's plans and programmes are not easily accessible and obtainable in comparison with 42.6% who believe otherwise and, 5.2% of these respondents who do not know whether these plans and programmes are accessible or not.

**Table 5.12: Frequency Distribution of Accessing Unit Plan**

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	49	42.6
No	60	52.2
I don't Know	6	5.2
Total	115	100

A review of these findings and consideration of certain interviews conducted by the researcher with key senior university officials support the respondents' views as being the case, in practice due to the missing link between university strategies, plans, programmes, resource allocation and budgetary process. More importantly, a

VC has indicated that there is no guarantee that future plans in meeting learning and teaching programmes will be realized since his university is depending only on a single budget resource that is MFI. He added some projects were cancelled, delayed, or significantly changed as a reality of inadequate resources.

In Table 5.13 the majority of the respondents (81.8%) believe that there are severe difficulties in accessing, using university's plans and linking them with the budgetary process and resource allocation, in comparison with 13% who think otherwise, and 5.2% who did not know the answer.

**Table 5.13: Frequency Distribution of Difficulty in Obtaining Unit Plan**

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	94	81.8
No	15	13.0
I don't Know	6	5.2
Total	115	100.0

Furthermore, Table 5.14 indicates that 91.3% of the respondents thought that it is most appropriate to link the plan for the preparation of budget with the university general strategy, whereas only 3.5% thought otherwise and 5.2% who did not know the answer. These findings seem to support the view that UAE HEI should initiate and develop its strategic vision, priorities, objectives, plans and programmes that have to be used and communicate these to all in determining the resources required to meet learning and teaching programmes, research, supporting services and other community services. University officials have strongly supported this view as a way forward in overcoming the problems of the strategy-budgeting missing link and having enough resources to conduct their activities.

Further suggests that it is necessary to link the preparation of university budget with the university's strategy even if at present the government do not take it into

consideration in providing enough resources to fund the practical application of the unit's plans and programmes. What is actually needed is an awareness and understanding of such links as a way forward to access and use plans and programmes to attempt to match resources with plans to meet the strategic view, priorities, and objectives of these institutions. This matching would also allow structured change if an inadequate resource was provided by the State.

**Table 5.14:** Frequency Distribution of Linking Plan with the University's Strategies

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	105	91.3
No	4	3.5
I don't Know	6	5.2
Total	115	100

Consistent with this view, Table 5.15 reports that more than 71.0% of respondents thought that it is necessary to link the preparation of the annual budget bill to the university's strategy, plans and programmes nevertheless it is the lack of its adequate financial resources by the government in order to overcome the problems of inadequacy and unfairness of financial resources. However, only 20.9% of the sample thought otherwise.

**Table 5.15:** Frequency Distribution of Linking the Preparation of the Annual Budget Bill with the University's General Strategy

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	24	20.9
No	82	71.3
I don't Know	9	7.8
Total	115	100

The overwhelming view is that the strategy-resource allocation and budgeting link with the university's strategy, plans and programmes has generally been considered as the main root for the crisis of UAE HEI. These issues have to be examined and highlighted further in this thesis.

To sum up, the preparation of plan and programmes of UAE HEI should be guided by both the strategies of the government and the HEI. It is thought that such a connection will help universities to achieve their objectives more effectively and efficiently.

### **5.3.3 Reasons for Budget-Plan Disconnection**

Bearing in mind the above findings, the research attempts to identify the reasons for the lack of links between plans programmes and budgets in UAE universities. The respondents were asked to provide their answers to each item by using a five-point Likert-scale ranging from strongly agree to strongly disagree (1 to 5) in the later tables. In doing so, eight items were developed from the existing literature and the practical experience of the researcher and the results are reported in Table 5.16.

As can be seen from this table, 54.7% of the respondents either agree or strongly agree that the main reasons for not linking plans and programmes to the budget has been the absence of their approval of the plans by university officials. However, 33.9% of these respondents do not agree that there has been such absence of plans and programmes approval. These findings are in the same line with the views expressed by key university officials during the semi-structured interviews.

Similarly, 67.8% of these respondents think that plans and programmes of the universities are not adequately financed in comparison with 20.9% who believe otherwise. In addition, 65.3% of university officials involved in this study agree that the budget allocation is not based on the institutions' plans and programmes in comparison with only 26.1% who suggest otherwise. The chancellors, VC, and

budget managers have put these reasons forward during the formal interviews conducted by the researcher to collect the data required for this investigation.

Table 5.16 also shows other reasons for the absence of strategies-programmes-budgeting link, include a lack of technical skills, inadequate timescales to prepare plans, programmes and budgets, and inaccuracy, and unavailability of the data required to prepare plans and programmes.

In this regard, Table 5.16 shows that 61.7% of the respondents agree that the university officials responsible for preparing plans, programmes and budgets do not have the necessary financial and technical skills to either supervise or execute the process of planning and budgeting in comparison with 24.3% who suggest otherwise.

Also, 53% of the university officials agree that the deadline for plans, programmes and budget preparation is not sufficient in comparison with 36.5%.

Furthermore, 36.4% of the respondents feel that the university's general goals are unrealistic, and 53.9% of the respondents agree that the data required for preparing plans, programmes and university budget is not either available or is inaccurate.

However, 47% of the respondents believe that university general goals are realistic and less than 35% of them think that the data required for planning and budgeting are accurate and available.

**Table 5.16: Frequency Distribution of Linking Plans to the Budget**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. Officials in the university do not approve the plans	29	25.2	34	29.5	13	11.3	27	23.5	12	10.4
2. The plans are not adequately financed	37	32.1	41	35.6	13	11.3	18	15.7	6	5.2
3. The budget allocation is not based on unit plans	35	30.4	40	34.8	10	8.6	22	19.1	8	7.0
4. The officials responsible for preparing budgets do not have financial skills and technical skills to supervise plans and programmes	44	38.2	27	23.5	16	13.9	25	21.7	3	2.6
5. The dead line for preparing the budget is not sufficient to allow plans to be prepared	34	29.5	27	23.5	12	10.4	29	25.2	13	11.3
6. The university's general goals are not realistic	24	20.8	18	15.6	19	16.5	31	27	23	20.0
7. The data that required for preparing budget plans are inaccurate	34	29.6	28	24.3	13	11.3	27	23.5	13	11.3
8. The data required for preparing budget plan are not available	29	25.2	29	25.2	8	7	35	30.4	14	12.2

In order to examine the internal consistency of the items measuring the reasons for the lack of such connection, Pearson correlation matrices were used and the results and reported in Table 5.17. The intercorelations among the above items are generally positive and significant. The range of the correlation is between 0.75 and 0.89, at a significance level of  $p \leq 0.001$  or better. This suggests that the reasons identified for not linking plans to budget are significantly consistent and reliable to be used in further analysis.

**Table 5.17: Intercorrelations between the Items Measuring Link between Plans and Programmes to the Budget**

Statements	Correlation Coefficients Between the Items							
	1	2	3	4	5	6	7	8
1. Officials in the university do not approve the plans	1	0.838	0.796	0.841	0.797	0.839	0.841	0.823
2. The plans are not adequately financed	0.838	1	0.878	0.830	0.762	0.807	0.804	0.785
3. The budget allocation is not based on unit plans	0.796	0.878	1	0.823	0.753	0.794	0.789	0.782
4. The officials responsible for preparing budgets do not have financial skills and technical skills to supervise plans and programmes	0.841	0.830	0.823	1	0.897	0.871	0.889	0.840
5. The dead line for preparing the budget is not sufficient to allow plans to be prepared	0.797	0.762	0.753	0.897	1	0.829	0.835	0.795
6. The university's general goals are not realistic	0.839	0.807	0.794	0.871	0.829	1	0.869	0.817
7. The data that required for preparing budget plans are inaccurate	0.841	0.804	0.789	0.889	0.835	0.869	1	0.894
8. The data required for preparing budget plan are not available	0.823	0.785	0.782	0.840	0.795	0.817	0.894	1

#### 5.4 Preparation of the Budget

The present study has considered the budgetary process to be a mechanical task used by UAE HEI to predict their financial requirements for a new fiscal year. As indicated in the financial and accounting literature, this process includes several steps, such as preparation, allocation, implementation, and budget reporting. In this section, this thesis will report and present the results of the budget preparation dimensions consisting of budget constraints, reasons for difficulties in budget preparation, reasons for preparing unrealistic budget, reasons for using complicated and unsuitable budget preparation forms, discussion, and the reasons for considering budget preparation dimension as a waste of time.



#### **5.4.1 Budget Preparation Constraints**

This dimension was operationally defined as the extent, to which certain constraints, such as power struggles, concern of university's administration with budget preparation, competence of financial staff, data accuracy, availability, and reliability can affect budget preparation. Accordingly, seven items were used and the respondents were asked to indicate whether these constraints affect budget preparation or not.

The results are presented in Table 5.18. As can be seen from this table, 34.7% of these respondents agree that university's administration does not pay any attention to budget preparation in comparison with 55.6% who think otherwise. This could be because senior managers possibly think that budget preparation is technical and a financial procedure used by financial specialists with the central university administration, such as the Budget Department or Finance Department. However, there have been a considerable number of respondents who think that universities do pay considerable attention to budget preparation, despite the lack of authority to get sufficient resources to fund their learning and teaching programmes. Consistent with this view, 53.9% of these respondents agree that power struggles within the central university administration could be important constraints for budget preparation, in comparison with 41.8% who think otherwise.

This was indicated by the budget managers during the interview in the public universities, that budget preparation remains a serious problem to institutions since they believe they do not have adequate resources to meet their objectives, priorities, and strategies. These managers added that MFI does not seem to regard highly the vital roles of the universities in providing the country with a skilled and qualified

workforce. In addition, 51.2% of these respondents believe that there has been a power struggle within each unit of the universities in comparison with only 40.8% that do not think so. This constraint could possibly reflect the bureaucratisation and high centralisation of management and control systems that in turn severely reduce authority of units and departments within each HEI. This is particularly true if one considers the determination of university strategies and resource allocation and the views of the budget managers expressed during the qualitative semi-structured interviews.

Following these views, 38.3% of the respondents agree that the universities tendency towards the high centralisation of decision-making can be another constraint on the budget preparation process compared with 22.6% who think otherwise and 39.1% undecided. The budget managers and senior officials have also confirmed this as a reason during the qualitative interviews. In addition, Table 5.18 shows that 49.4% of the respondents agree that the lack of competence amongst the university officials responsible for budget preparation could be another constraint affecting budgetary process and control compared with 41.7% who think differently and 8.6% who were undecided. This could be possibly due to the lack of qualified skilled personnel among UAE nationals in dealing with the techniques of budget preparation and other financial issues of budgeting. As a result, more than 40% of the respondents believe that the data required for budget preparation is either unavailable or inadequate to conduct this financial process. This constraint has also been confirmed by budget managers who indicated that there have been a considerable number of foreign personnel dealing with the financial aspects of the budgetary process for many years in their institutions as skills had to be improved. The findings suggest that this policy may not have always been successful.

**Table 5.18: Frequency Distribution of Constraint Effects on the Unit Annual Budget Preparation**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. University administration does not pay enough attention to budget preparation	15	13.0	25	21.7	11	9.5	35	30.4	29	25.2
2. Power struggles within the higher administration.	23	20.0	39	33.9	5	4.3	24	20.9	24	20.9
3. Power struggles within the unit	32	27.6	27	23.4	9	7.8	26	22.6	21	18.2
4. The university's higher, central decision-making process	17	14.8	27	23.5	45	39.1	13	11.3	13	11.3
5. People are not convinced of the competence of the officials preparing budget	24	20.8	33	28.6	10	8.6	26	22.6	22	19.1
6. The data required for the preparation of budget bill are unavailable	24	20.8	29	25.2	15	13.0	27	23.4	20	17.3
7. Available data are inadequate and unreliable	25	21.7	23	20.0	13	11.3	34	29.6	20	17.3

It is noteworthy to indicate that the results pertaining to the above constraints were also supported by the existing accounting literature. Particularly Darrough (1989), Banker et al. (1992), Meyers (1992), Bruns et al. (1993) and Thurmaier (1994) In addition, the scores of these items were aggregated and their averages were computed and used in further analysis.

Following this line of thought, Pearson correlations between the above constraints were conducted and results are reported in Table 5.19. As can be seen from Table 5.19, there are positive relationships between the constraints of budgeting preparation. The range of these correlations is between 0.54 and 0.85 at  $p \leq 0.01$  and better. These coefficients indicate that these items represent high reliability and validity of the phenomenon under investigation. This is also confirmed in the previous literature.

**Table 5.19: Inter correlations between the Items Measuring the Rating of the Constraints in Terms of their Impact on the Unit Annual Budget Preparation**

Statements	Correlation Coefficients Between the Items						
	1	2	3	4	5	6	7
1. University administration does not pay enough attention to budget preparation	1	0.706	0.744	0.701	0.753	0.671	0.644
2. Power struggles within the higher administration.	0.706	1	0.850	0.693	0.706	0.525	0.545
3. Power struggles within the unit	0.744	0.850	1	0.731	0.681	0.612	0.636
4. The university's higher, central decision-making process	0.701	0.693	0.731	1	0.684	0.682	0.590
5. People are not convinced of the competence of the officials preparing budget	0.753	0.706	0.681	0.684	1	0.752	0.739
6. The data required for the preparation of budget bill are unavailable	0.671	0.525	0.612	0.682	0.752	1	0.813
7. Available data are inadequate and unreliable	0.644	0.545	0.636	0.590	0.739	0.813	1

#### **5.4.2 Difficulties of Budget Preparation**

To determine the main difficulties arising in the budget preparation, several reasons were reported in the previous literature as a critical pitfall, or obstacles, in the formulation process financial plans. These reasons include strategic, managerial, legal and other factors affecting budgeting systems. The present study has adopted several items for measuring each type of these reasons. The results are presented in Table 5.20.

In respect of the strategic reasons, this table shows that 55.6% of the respondents either agree or strongly agree that, the absence of a clear university strategy has been the main reason for difficulties experienced in preparing budgets, in comparison with 35.5% who disagree and 8.6% undecided.

**Table 5.20: Frequency Distribution of Difficulties of the Reasons for Preparation of the Unit's Budget Bill**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<b>Strategic reasons:</b>										
1. The absence of a clear university strategy	35	30.4	29	25.2	10	8.6	21	18.2	20	17.3
2. The absence of a long-term plan for the unit.	49	42.6	27	23.5	15	13.0	14	12.1	10	8.6
3. The absence of a short-term plan for the unit	14	12.1	16	13.9	15	13.0	46	40.0	24	20.9
<b>Managerial reasons:</b>										
4. A lack of interest in the budgeting process by university administration	27	23.4	28	24.3	5	4.3	19	16.5	36	31.3
5. The absence of collective participation in budget preparation	39	33.9	26	22.6	11	9.5	14	12.1	25	21.7
6. Absence of co-ordination among university units	25	21.7	39	33.9	13	11.3	21	18.3	17	14.7
7. The committee for the preparation of the budget bill has no power	32	27.8	35	30.4	8	6.9	22	19.1	18	15.6
8. An absence of co-ordination between the unit and the Finance and Budget Department	36	31.3	26	22.6	14	12.1	25	21.7	28	24.3
9. The rules of budget preparation decision discourage units	34	29.5	26	22.6	19	16.5	23	20.0	13	11.3
10. Budget preparation forms do not help in formulating the unit's financial plan	32	27.8	22	19.1	18	15.6	35	30.4	8	6.9
11. University units have not been trained to prepare budget bills	31	26.9	32	27.8	13	11.3	18	15.7	21	18.2
12. Staffs of unit are not conversant with general financial concepts	33	28.6	39	33.9	10	8.6	24	20.9	9	7.8
<b>Legal reasons:</b>										
13. Presence of legal impediments	32	27.8	27	23.4	8	6.9	34	29.6	14	12.1
14. Unfamiliarity of units with financial rules, regulations and laws	33	28.6	32	27.8	12	10.4	36	31.3	2	1.7
<b>Other reasons:</b>										
15. The absence of an effective automated system for budget preparation	27	23.4	30	26.1	14	12.1	25	21.7	19	16.5
16. University units are unaware of the importance of the preparation of their budget bills	34	29.5	23	20.0	9	7.8	34	29.5	15	13.0
17. The timetable for budget preparation is inadequate	26	22.6	20	17.3	14	12.1	32	27.8	23	20.0
18. The time allocated for budget preparation is insufficient	34	29.5	25	21.7	11	9.5	33	28.7	12	10.4
19. Budget allocations to the units are predetermined and it is pointless to prepare the budget in the unit	25	21.7	36	31.3	17	14.7	34	29.6	3	2.6
20. The absences of incentives to promote good budgeting practices	44	38.2	25	21.7	13	11.3	20	17.4	13	11.3

In addition, 66.1% of the senior managers within these universities and colleges agree that, the absence of long-term plans for their unit could be another strategic reason for the difficulties in preparing budgets, in comparison with 20.7% who disagree and 13% undecided. The budget and finance managers within these institutions also confirmed these results in interview. These individuals have indicated that there has been a lack of strategic planning within these institutions for many years which in turn, has resulted in the lack of connection between the strategies, priorities, objectives, plans and programmes and resources allocation. These views are in support of the previous accounting literature, particularly, Clarke (1997), Groves et al (1997), HEFCE (1998) and Pidcock (2001). In addition, the above results appear to confirm the conclusions of the report into planning within HE of UAE (ACRPHE, 1996) and also that little appears to have changed since.

Table 5.20 reports that, 60.9% of these officials disagree that, the absence of a short-term plans for the unit is responsible for the difficulties in preparing budgets, in comparison with 26% agree and 13% undecided. These findings could possibly refer that; these institutions rely mostly on short-term plans that can be funded by the federal government, particularly, MFI or by local government. This explanation does not confirm the interviews finding with budget managers who deny such connections between short-term plans and budgets.

Similarly, Table 5.20 shows that, 47.7% of the respondents either agree or strongly agree that, a lack of interest in the budgeting process is the main reason for the difficulties in budget preparation, in comparison with 47.8% who disagree and 4.3% undecided. Also, 53.9% or more of the senior officials of UAE universities either agree or strongly agree that, several managerial reasons are responsible for the

difficulties in budget preparation including the absence of collective participation in budget preparation and the absence of co-ordination among university units. This last reason includes the absence of co-ordination between the units and the Budget Departments. Beside that, the committee for the preparation of the budget bill is seen as having no power. However, 45% or less of these respondents do not agree that these managerial reasons have caused such difficulties in budget preparation. Further, the interviews with the budget managers and senior officials of these institutions have indicated that, high centralisation, lack of employee participation and a lack of technical financial skills have an important influence on the preparation of effective budget bills.

Furthermore, Table 5.20 indicates that, 52.2% of these respondents either agree or strongly agree that, the rules of budget preparation decisions discourage units, and could be the reason for the difficulties in budget preparation, in comparison with 31.3% also disagree and 16.5% undecided. In the same way, 46.9% of the respondents agree that, budget preparation forms do not help in formulating the unit's financial plan as a reason for such difficulties, in comparison with 37.4% who disagree and 15.6% undecided. In addition, 54.7% or more of these respondents agree that the lack of technical financial skills and training of unit's staff could be the reasons responsible for the difficulties in budget preparation, in comparison with 33.9% or more who disagree and around 11.3% or more undecided. To sum up, almost all the above managerial reasons for the difficulties in budget preparation seem to have a potentially significant influence on the further direction senior executive managers need to follow in improving budget processes in UAE universities and colleges. These reasons also have to be taken into consideration in the process of

rectifying and resolving the problems of under funding associated with these institutions.

Regarding legal reasons, Table 5.20 shows that, 51.2% of the respondent either agree or strongly agree that, the presence of legal impediments could be the reason for budget preparation difficulties in comparison with 41.7% who disagree and 6.9% undecided. Also, 56.4% of the respondents agree that, unfamiliarity with the financial rules, regulations and laws could be another reason for the difficulties in budget preparation in comparison with 33% who disagree and 10.4% undecided. The reason could be that most of these senior executive managers are foreigners who work on short-term contracts (usually one to two years). It is thought that these personnel have a low understanding and awareness to these regulations and instructions and little desire to learn. It is also possible that two years contract is too short term.

Following the preceding thought, Table 5.20 reports that, 49.5% of the respondents agree that, the absence of an automated system for budget preparation could be an important reason for the difficulties in budget preparation, in comparison with 38.2% who disagree and 12.1% undecided. Also, 51.2% of the respondents agree that, the time allocated for budget preparation is insufficient in comparison with 39.1% disagree and 9.5% undecided. Moreover, 53% of these respondents feel that, budget allocations to the units are predetermined and it is pointless to prepare the budget in the unit, in comparison with 32.2% disagree and 14.7% undecided. These results could be the case, since the heads of the units and sections are not allowed to discuss their prepared budget bills with the universities and colleges' budget committees. Similarly, 59.9% of the respondents agree that, the absence of incentives



to promote good budgeting practices is the reason for the difficulties in budget preparation, in comparison with 28.7% who disagree and 11.3% undecided.

In examining the internal consistency among the items measuring each group of reasons affecting budget preparation a Pearson correlation test was conducted using a two-tailed test and the results are presented in Table 5.21. As indicated by this table, there seems to be positive relationships among the items measuring strategic reasons. The range of correlations is between 0.54 and 0.82. These correlations are significant at  $p \leq 0.001$  or better.

With regard to managerial reasons, positive and significant relationships were also found among the questions identifying difficulties arising in the preparation of units' budget bill. The range of correlations is between 0.54 and 0.83 at  $p \leq 0.01$  or better. In the same spirit, there are positive significant relationships between the items presenting legal reasons. The range of correlation is between 0.60 and 0.79 with  $p \leq 0.01$  significance level.

Consistent with these findings, Table 5.21 reports positive correlation among items measuring other reasons for difficulties arising in preparing units' budget bill. The range of correlations is between 0.54 and 0.92 at significance level of  $p \leq 0.01$  or better.

The correlation matrix identified in Table 5.21 suggests that the internal consistency of items representing various types of reasons for difficulties in budget preparation is sound and significant with a positive direction. This means that these items are reliable and valid in measuring the phenomenon under investigation.

**Table (5.21): Inter correlations between the items Measuring Difficulties Arise in the Preparation of the Unit's Budget Bill**

Statements	Correlation Coefficients Between the Items																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>Strategic reasons:</b>																				
1.The absence of a clear university strategy	1	0.827	0.755	0.653	0.619	0.658	0.625	0.685	0.617	0.670	0.615	0.661	0.634	0.695	0.583	0.636	0.572	0.627	0.544	0.549
2.The absence of a long-term plan for the unit	0.827	1	0.820	0.751	0.716	0.728	0.655	0.744	0.692	0.699	0.667	0.711	0.664	0.669	0.669	0.668	0.634	0.657	0.629	0.572
3.The absence of a short-term plan for the unit	0.755	0.820	1	0.706	0.697	0.709	0.652	0.686	0.685	0.701	0.660	0.694	0.688	0.687	0.665	0.609	0.619	0.684	0.608	0.573
<b>Managerial reasons:</b>																				
4.A lack of interest in the budgeting process by university administration	0.653	0.751	0.706	1	0.753	0.670	0.609	0.661	0.669	0.647	0.650	0.639	0.595	0.651	0.675	0.770	0.689	0.675	0.660	0.538
5.The absence of collective participation in budget preparation	0.691	0.716	0.697	0.753	1	0.759	0.725	0.816	0.773	0.742	0.734	0.698	0.634	0.674	0.752	0.725	0.727	0.726	0.668	0.665
6.Absence of co-ordination among university units	0.658	0.728	0.709	0.670	0.759	1	0.730	0.757	0.696	0.680	0.780	0.759	0.672	0.688	0.745	0.679	0.681	0.708	0.616	0.682
7.The committee for the preparation of the budget bill has no power	0.625	0.655	0.652	0.609	0.725	0.730	1	0.815	0.825	0.706	0.701	0.683	0.715	0.660	0.679	0.699	0.653	0.683	0.643	0.689
8. An absence of co-ordination between the unit and the Finance and Budget Department	0.685	0.744	0.686	0.661	0.816	0.757	0.815	1	0.834	0.777	0.775	0.779	0.708	0.705	0.765	0.762	0.721	0.744	0.680	0.704
9.The rules of budget preparation decision discourage units	0.617	0.692	0.685	0.669	0.773	0.696	0.825	0.834	1	0.810	0.749	0.732	0.695	0.733	0.764	0.708	0.755	0.752	0.690	0.688
10.Budget preparation forms do not help in formulating the unit's financial plan	0.670	0.699	0.701	0.647	0.742	0.680	0.706	0.777	0.810	1	0.759	0.766	0.661	0.764	0.758	0.657	0.755	0.822	0.645	0.714

11. University units have not been trained to prepare budget bills	0.615	0.667	0.660	0.650	0.734	0.780	0.701	0.775	0.749	0.759	1	0.830	0.643	0.715	0.818	0.669	0.693	0.741	0.653	0.733
12. Staffs of unit are not conversant with general financial concepts	0.661	0.711	0.694	0.639	0.698	0.759	0.683	0.779	0.732	0.766	0.830	1	0.687	0.790	0.805	0.734	0.768	0.805	0.686	0.763
<b>Legal reasons:</b>																				
13. Presence of legal impediments	0.634	0.664	0.688	0.595	0.634	0.672	0.715	0.708	0.695	0.661	0.643	0.687	1	0.751	0.681	0.622	0.624	0.680	0.622	0.604
14. Unfamiliarity of units with financial rules, regulations and law	0.695	0.669	0.687	0.651	0.674	0.688	0.660	0.705	0.733	0.764	0.715	0.790	0.751	1	0.769	0.649	0.775	0.791	0.614	0.656
<b>Other reasons:</b>																				
15. The absence of an effective automated system for budget preparation	0.583	0.669	0.665	0.675	0.752	0.745	0.679	0.765	0.764	0.758	0.818	0.805	0.681	0.769	1	0.732	0.735	0.775	0.623	0.778
16. University units are unaware of the importance of the preparation of their budget bills	0.636	0.668	0.609	0.770	0.725	0.679	0.699	0.762	0.708	0.657	0.669	0.734	0.622	0.649	0.732	1	0.780	0.746	0.657	0.678
17. The timetable for budget preparation is inadequate	0.572	0.634	0.619	0.689	0.727	0.681	0.653	0.721	0.755	0.755	0.693	0.768	0.624	0.775	0.735	0.780	1	0.919	0.688	0.750
18. The time allocated for budget preparation is insufficient	0.627	0.657	0.684	0.675	0.726	0.708	0.683	0.744	0.752	0.822	0.741	0.805	0.680	0.791	0.775	0.746	0.919	1	0.666	0.736
19. Budget allocations to the units are predetermined and it is pointless to prepare the budget in the unit	0.544	0.629	0.608	0.660	0.668	0.616	0.643	0.680	0.690	0.645	0.653	0.686	0.622	0.614	0.623	0.657	0.688	0.666	1	0.697
20. The absences of incentives to promote good budgeting practices	0.549	0.572	0.573	0.538	0.665	0.682	0.689	0.704	0.688	0.714	0.733	0.763	0.604	0.656	0.778	0.678	0.750	0.736	0.697	1

### **5.4.3 Reasons for Unrealistic Budgets Bids (Proposal)**

Consistent with the preceding findings, this section is concerned with the reasons for preparing unrealistic budget bids. These reasons were operationally defined as the extent to which inflated budgets, absence of long-term resource allocation plan, unfair distribution methods, lack of satisfaction with the budget, are associated with the problems of preparing unrealistic budgets.

As can be seen from Table 5.22, 45.2% of the respondents do not agree that an inflated budget can be easily defended in comparison with 38.4% who think otherwise, and 16.5% who were undecided. The qualitative interviews conducted with the budget managers show that resource allocation and its resulting budget funds can only be determined by the MFI or local government. These outcomes invariably reduce the budget bid for funds required by these institutions given the effect of budget inflation.

However, 46.9% of these respondents agree that their units or departments may seek to meet their requirements for several coming years in a single budget compared with 40.8% who disagree and 12.2% undecided. Despite these responses, the university budget managers for public sector funded universities and the advisory report for planning for HE in the UAE have indicated that these institutions are in serious trouble caused by having inadequate annual resources to meet their objectives.

This report and the views of the budget managers within these institutions suggest that crisis management can be an appropriate term or concept to be used in describing the chronic under funding problems and the way in which decisions are implemented.

**Table 5.22: Frequencies Distribution of Unrealistic Budget Bids**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. They believe that inflated budgets are easy to defend	16	13.9	28	24.3	19	16.5	27	23.5	25	21.7
2. The unit in seeking to meet its requirements for several years in a single budget	32	27.8	22	19.1	14	12.1	32	27.8	15	13.0
3. They are not convinced that sound budget will influence decisions on allocating the budget	26	22.6	34	29.6	13	11.3	22	19.1	20	17.3
4. The absence of long-term plans for allocating resources over more than one year	43	37.3	34	29.6	9	7.8	20	17.4	9	7.8
5. They believe that budget apportionment is not founded on scientific and realistic base	30	26.1	29	25.2	16	13.9	23	20.0	17	14.7
6. They believe that distribution methods are unfair	30	26.1	28	24.3	16	13.9	24	20.9	17	14.7

Consistent with these findings, Table 5.22 shows that 52.2% of these respondents are not convinced that sound budgeting will influence resource apportionment decisions in their university compared with 36.4% who disagree and 11.3% undecided. In addition, 66.9% of the respondents agree that the absence of long-term plans for allocating resources over more than one year in their university has caused unrealistic budget preparation in comparison with 25.2% disagree and 7.8% undecided. This reason has also been confirmed by the ACRPHE (1996) and budget managers during the qualitative interviews. These managers also indicated that it is their concern to meet their educational programmes on an annual basis rather than having unfeasible long-term plans that do not take institutions any further with regard to the resource allocation and budgeting process and control. In addition, 51.3% of these managers believe that budget allocation in the university is not founded on scientific and realistic base compared with 34.7% who disagree and 13.9% who are undecided. Furthermore, 50.4% of them think that the distribution

methods are unfair in the university in comparison with 35.6% disagreeing and 13.9% undecided. These findings reflect the managers' views during interviews that their institutions are in a crisis due to inadequate resources allocation conducted and approved by the MFI. To sum up, these findings are in line with the previous accounting and financial literature, particularly Thurmaier (1994), Newing (1994), Arya et al. (2000), and Tayib and Hussin (2003).

As can be seen from Table 5.23, there are positive significant correlations between these items. The range of correlation is between 0.61 and 0.90 at  $p \leq 01$  or better. These correlations prove that these items are reliable, valid, and capable of being used in further analysis.

**Table 5.23: Intercorrelations between Items Measuring Budget Constraints**

Statements	Correlation Coefficients Between the Items					
	1	2	3	4	5	6
1. They believe that inflated budgets are easy to defend	1	0.846	0.787	0.733	0.717	0.716
2. The unit in seeking to meet its requirements for several years in a single budget	0.846	1	0.733	0.665	0.652	0.613
3. They are not convinced that sound budget will influence decisions on allocating the budget	0.787	0.733	1	0.853	0.882	0.867
4. The absence of long-term plans for allocating resources over more than one year	0.733	0.665	0.853	1	0.909	0.828
5. They believe that budget apportionment is not founded on scientific and realistic base	0.717	0.652	0.882	0.909	1	0.902
6. They believe that distribution methods are unfair	0.716	0.613	0.867	0.828	0.902	1

#### 5.4.4 Fitness of Budget Preparation Forms

This dimension was operationally defined as the extent of the reasons for which budget forms do not meet the requirements for good financial planning. The respondents were asked six questions consisting of the reasons for using too numerous complicated forms, lack of explanations and unfamiliarity, difficulties of translating institutions' plans and programmes, unit's financial figures and the use of IT facilities.

Table 5.24 shows that 57.4% agree that budget forms are too numerous compared with 33% who disagree and 9.5% undecided. In addition, 48.6% of them agree that these forms are complicated and overly difficult to use compared with 37.3% who disagree and 13.9% undecided.

**Table 5.24: Frequencies Distribution of Fitness of Budget Preparation Forms to the Requirements for Good Financial Planning**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. They are too numerous	31	26.9	35	30.4	11	9.5	23	20	15	13.0
2. They are complicated	28	24.3	28	24.3	16	13.9	21	18.2	22	19.1
3. They do not cover all aspects of the unit's plan	23	20.0	39	33.9	9	7.8	27	23.5	17	14.8
4. Adequate explanation of how to complete these forms is not provided	32	27.8	38	33	11	9.5	17	14.8	17	14.8
5. Plans and programmes cannot easily be translated into financial figures using these forms	34	29.5	33	28.6	13	11.3	21	18.3	14	12.2
6. IT facilities are too limited	37	32.1	25	21.7	17	14.8	19	16.5	17	14.8

These findings could be the case within these institutions since their staff are mostly from a non-financial background and thus probably lacking the required

financial skills to deal with these forms. As was noted by two VCs during interviews, the law and financial regulations followed by the universities and colleges have complicated the problems of budget preparation resulting in inflexible and complicated forms. These findings are complemented by those of Tayib and Hussin (2003), who studied Malaysian universities and found a substantial lack of financial skills among university budget staff.

In the same vein, 60.8% of these managers agree that the lack of adequate explanations provided to them regarding budget forms has caused difficulties in using these forms as a tool for good financial planning, in comparison with 29.6% who disagree and 9.5% undecided. In addition, 53.9% of them think that budget forms do not cover all aspects of a unit's plans, compared with 38.3% who disagree and 7.8% undecided. As was indicated earlier in this chapter, key personnel think that university's strategic views, plans, and programmes are not related to the budget process and resource allocation. Therefore, it had been expected to find that the budget preparation forms did not cover all aspects of unit's plans. This is also the case, if one considers the results associated with the responses of the respondents to the reasons for difficulties in translating plans and programmes into financial figures. In addition, 53.8% of the respondents think that the limited use of IT facilities and proper accounting packages may have complicated the development of budget forms within these institutions and their units.

The above findings seem to be in line with the previous literature, particularly Henderson (1997), Horbinger (1997) CIPFA (1997b), Australian CPA (1999), and Tayib and Hussin (2003). These studies indicate that budget forms have caused the limitation of using flexible budgets and improving their management.



Pearson correlations were also carried out and the results are presented in Table 5.25. As can be seen from in this table, there seems to be positive and significant correlations between the above-mentioned items. The range of the correlation values is between 0.79 and 0.92. These correlations are significant at  $p \leq 0.001$  or better.

**Table 5.25:** Intercorrelations between the Items Measuring the Fitness of Budget Forms to Requirements for Good Financial Planning

Statements	Correlation Coefficients Between the Items					
	1	2	3	4	5	6
1. They are too numerous	1	0.887	0.851	0.869	0.795	0.836
2. They are complicated	0.887	1	0.924	0.903	0.858	0.846
3. They do not cover all aspects of the unit's plan	0.851	0.924	1	0.911	0.893	0.895
4. Adequate explanation of how to complete these forms is not provided	0.869	0.903	0.911	1	0.894	0.872
5. Plans and programmes cannot easily be translated into financial figures using these forms	0.795	0.858	0.893	0.894	1	0.872
6. IT facilities are too limited	0.836	0.846	0.895	0.872	0.872	1

The correlation matrix suggests that the reasons relevant to the fitness of budget preparation forms are reliable and valid as well as having a significant internal consistency. These features indicate that these items can be used in further analysis in this study.

#### 5.4.5 Discussion of Proposed Budget

This dimension was operationally defined as the extent to which prepared budgets are discussed with the university and college senior officials and the reasons for considering such discussions as a waste of time. The respondents were firstly asked to indicate their responses relevant to the consideration of the budgets as a waste of time. The results are presented in Table 5.26, which shows that 78.3% of the

respondents think that discussion of budget preparation is a waste of time in comparison with 21.7% of 'no answer'. This result is probably due to the lack of employees' participation in decision-making process, particularly budgets, strategies, resource allocation, objectives, etc. It could be also due to the belief of these managers that such discussion is not very useful in getting adequate resources to fund university and college teaching programmes and other activities since these decisions are taken outside these institutions, since ultimate funding depends on MFI. Certain budget managers mentioned these reasons during the qualitative interviews.

**Table 5.26:** Frequency Distribution of Discussion the Budget Bill with the University's Central Administration as a Waste of Time

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	90	78.3
No	25	21.7
Total	115	100

In order to highlight the above consideration, the researcher has adopted nine items to represent the reasons for considering budget preparation discussions as a waste of time. The results are reported in Table 5.27. In this respect, 60.8% of the respondents agree that this budget discussion is a waste of time because the budget ultimately prepared does not reflect the actual unit plans compared with 33.9% who disagree and 5.2% undecided. In addition, 64.3% of the respondents think that such discussion is not affecting the decision for budget allocation since there are inadequate financial resources. Further 54.8% of them agree that there is no mechanism for adopting plans and programmes of budgeting after any discussion in comparison with 40.8% who disagree and 4.3% undecided. This reason can be a reflection of power and authority struggles between the financial department and the senior management of the institutions.

Further, 56.5% of the respondents agree that the budget committee will not consider the outcome of discussions when allocating budget compared with 30.4% who disagree and 13% undecided. This is the case with regard to these institutions, since scarce resource allocation is decided and approved by the federal central organisations.

Likewise, Table 5.27 indicates that 53.8% of the respondents agree that the budget prepared is only financial figures rather than plans or programmes needed to be discussed, compared with 33.9% who disagree and 12.1% undecided. In addition, 49.4% of these respondents have considered any discussions as a waste of time because of preparing unrealistic budgets in comparison with 41.7% who disagree and 8.6% undecided. These reasons could reveal lack of awareness and understanding of senior managers toward the nature and the theme of budgeting and control process.

Moreover, 59% of the respondents agree that such discussion is a waste of time because university officials are not concerned with the units' plans and programmes in comparison with 33% who disagreed and 7.8% undecided. In addition, 60.8% of these managers and officials agree that employees involved in this discussion have no authority to make budget allocation decisions compared with 25.1% who disagree and 13.9% undecided.

Finally, 62.5% of the respondents think that people involved in these discussions are not particularly competent, compared with 38.2% who disagree and 7.8% undecided.

It is noteworthy to indicate that these two last reasons have revealed the views of budget managers and senior management within these institutions. In addition, these results are in line with Tayib and Hussin (2003) study of Malaysian universities,

who suggests similar reasons as constraints on the budget and resource allocation process.

**Table 5.27: Frequencies Distribution of Reasons Considering Discussion of Budget as a Waste of Time**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. The budget bill does not represent the unit's actual plans	33	28.6	37	32.2	6	5.2	24	20.8	15	13
2. Discussion does not affect the decision for budget allocation	46	40.0	28	24.3	13	11.3	18	15.6	10	8.6
3. There are no mechanisms for adopting plans and programmes after discussion	26	22.6	37	32.2	5	4.3	22	19.1	25	21.7
4. Committees for budget allocation do not take into account discussion outcomes when allocating budget	35	30.4	30	26.1	15	13	25	21.7	10	8.7
5. The bill is only financial figures rather than plans or programmes	33	28.6	29	25.2	14	12.1	23	20.0	16	13.9
6. The bill cannot be justified because it is unrealistic	33	28.6	24	20.8	10	8.6	26	22.6	22	19.1
7. Officials are not concerned with the unit's plans and programmes	37	32.1	31	26.9	9	7.8	26	22.6	12	10.4
8. People involved in the discussion have no authority to make budget allocation decisions	42	36.5	28	24.3	16	13.9	24	20.8	5	4.3
9. People involved in discussion are not highly competent	33	28.6	29	25.2	9	7.8	23	20.0	21	18.2

Following the discussion above, Table 5.28 indicates that there are positive and significant correlations between the items measuring the consideration of discussion of budget preparation as time wasting. The range of the correlation is between 0.84 and 0.97, with  $p \leq 0.001$  significance level. This means that the internal consistency of these items is high, positive and reliable. Therefore, they will be used in further analysis.

**Table 5.28: Intercorrelations between the Items Measuring the Reason for Considering Discussion of Budget as a Waste of Time**

Statements	Correlation Coefficients Between the Items								
	1	2	3	4	5	6	7	8	9
1. The budget bill does not represent the unit's actual plans	1	0.945	0.950	0.976	0.911	0.953	0.959	0.879	0.861
2. Discussion does not affect the decision for budget allocation.	0.945	1	0.978	0.965	0.968	0.946	0.951	0.894	0.853
3. There are no mechanisms for adopting plans and programmes after discussion	0.950	0.978	1	0.976	0.951	0.939	0.963	0.883	0.858
4. Committees for allocation of budget do not take into account discussion outcomes when allocation budget	0.976	0.965	0.976	1	0.944	0.951	0.957	0.892	0.875
5. The bill is only financial figures rather than plans or programmes	0.911	0.968	0.951	0.944	1	0.945	0.938	0.875	0.859
6. The bill cannot be justified because it is unrealistic	0.953	0.946	0.939	0.951	0.945	1	0.964	0.865	0.864
7. Officials are not contended with the unit's plans and programmes	0.959	0.951	0.963	0.957	0.938	0.964	1	0.865	0.845
8. People involved in the discussion have no authority to make budget allocation decision	0.879	0.894	0.883	0.892	0.875	0.865	0.865	1	0.924
9. People involved in discussion are not highly competent	0.853	0.858	0.858	0.875	0.859	0.864	0.845	0.924	1

## 5.5 Budget Allocation

This dimension represents the second stage phase of budgetary process and control. Budget allocation has been operationally defined as the extent to which financial recourses are allocated to units and departments. It has been divided into several factors measuring the allocation methods, allocation of sufficient financial resources and fairness of budget allocation.

### 5.5.1 Budget Allocation Methods

This dimension was operationally defined as the extent to which budget allocation methods, such as the number of students, departments, etc., are used within UAE HEI can be seen from Table 5.29, 67% of the respondents think that last year's

expenditure of every unit plus any changes in the number of students is used as a method of resources allocation in comparison with 19.9% disagreeing and 13% undecided. In support of these findings, the qualitative interviews conducted by the researcher with the executive finance managers and certain senior officials of two public universities, show that a top-slicing approach has been in use for allocating resources within these institutions. The resource allocation process depends on the past expenditures of each institution plus a rate of annual increment decided by the MFI. As was indicated by a Budget Manager, this traditional method has been in use for many years. He added that this method does not take into consideration plans, programmes or even strategies in deciding the amount of resource that his institution can have annually from the government. His explanation also indicated the chronic under funding problems facing institutions.

Table 5.29 also indicates that 50.4% of the respondents think that the costs of each student multiplied by the number of students in each unit has currently been used by the institutions in comparison with 23.5% who disagree and 26.1% undecided. This result could be influenced by the preference of senior managers operating in private universities that do not rely of the government funding or financial support of federal government, such as AUST and ECE. The table also indicate that both public and private universities used this approach in allocating their resources to each department or units have. It is noteworthy that this result is supported by a number of previous studies, such as Cutt et al. (1993), Jones (1994), Edwards et al (1995) and Horsch (1995). These studies suggest that universities' plans and budgets have to be developed by using a more objective approach, such as cost of students and courses than traditional incremental approaches.

**Table 5.29: Frequencies Distribution of Methods of Current Annual Budget Allocated to Units**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. Last year's expenditure of every unit plus any changes in the number of students	24	20.9	53	46.1	15	13.0	12	10.4	11	9.5
2. The costs of each student multiplied by the number of students in each unit	30	26.8	28	24.3	30	26.1	23	20	4	3.5
3. Allocation is based on the number of departments	15	13	29	25.2	19	16.5	24	20.9	28	24.3
4. Allocation is based on the number of courses in each department	21	18.2	33	28.7	27	23.5	24	20.9	10	8.7
5. Allocation is based on the weighted cost per course	10	8.7	22	19.1	17	14.7	32	27.8	34	29.5
6. Allocation is based on the university planning and objectives	13	11.3	22	19.1	17	14.7	35	30.4	28	24.3
7. Allocation is based on the weighted cost per student.	6	5.2	22	19.1	9	7.8	49	42.8	29	25.2
8. Giving priority to meet shortages in the number of academic staff	26	22.6	42	36.5	13	11.3	18	15.6	16	13.9
9. Giving priority to new programmes by constructing new departments or laboratories or increasing lecture theatres	18	15.6	23	20.0	17	14.7	38	33	19	16.5
10. Giving priority to university research	16	13.9	31	27	22	19.1	25	21.7	21	18.3
11. Giving priority to students' extra-mural activities	10	8.7	24	20.9	37	32.2	19	16.5	25	21.7
12. Giving priorities to public services such as maintenance, hygiene, electricity, etc.	14	12.2	37	32.2	28	24.3	14	12.2	22	19.1
13. Last year plus inflation	25	21.7	30	26.1	27	23.5	24	20.9	9	7.8
14. Formulating an academic equation including above items	17	14.7	6	5.2	10	8.6	47	40.8	35	30.4

Table 5.29 shows that 38.2% of the respondents think that allocation is based on the number of departments in each institution, compared with 45.2% who disagree and 16.5% undecided. This result indicates that these institutions probably do not

extensively or commonly use this approach since the majority of them have their annual resources from UAE federal government.

46.9% of the respondents think that their budgets have to be allocated on the number of courses in each department, in comparison with 29.5% who disagree and 23.5% undecided. As was indicated by certain budget managers, this approach cannot be applied since the allocation decision is taken by federal government organisations, such as the MFI.

57.3% of the respondents do not agree that the allocation is based on the weighted cost per course in comparison with 27.8% who agree and 14.7% undecided. Similarly, 54.7% of them do not agree that the allocation is currently based on the university's planning and objectives, since there has been no actual strategy-plans-budget connection used by either the federal government or these universities during the process of resource allocation.

Further, 67.8% of the respondents do not agree that the current allocation is based on the weighted cost per student, compared with 24.3% who agree and 7.8% undecided.

However, 59.1% of the respondents agree that the current allocation is based on the priority of meeting academic staff shortages compared with 29.5% who disagreed and 11.3% undecided. This is the case of UAEU and HCT since they are trying to meet the shortage of new staff caused by the dramatic increases in student enrolment each year. Staff expenditure costs between 65% and 75% of the average university budget.



On the other hand, 49.5% of the respondents do not agree that the current allocation methods are based on the priorities of introducing new programmes and courses of study due to the lack of sufficient resources to meet such proposals. This has also been the case with regard to the interviews to the research. As was shown by ACRPHE (1996) research centres within UAEU were closed due to the lack of funding received from the government. A DVC has also confirmed this result during the qualitative interview. Additionally, these institutions do not seem to give any priority to public services and students' extra-mural activities due to the lack of financial resources.

However, 47.8% of the respondents agree that budget allocation is currently based on the last year expenditure plus inflation compared with 28.7% who disagree and 23.5% undecided. In addition, the majority of them do not formulating an academic equation that considers the above bases in budget allocation.

Consistent with this line of reasoning, Table 5.30 presents the intercorrelation matrices measuring the relationships between the above-mentioned items. Accordingly, there are strong positive correlations between the budget allocation methods suggested in this research.

The range of positive correlations is between 0.74 and 0.96. These correlations are significant at  $p \leq 0.001$  or better. They may suggest that there seems to be high internal consistency among items measuring budget allocation methods, which in turn, indicates that these methods can be used in further analysis due to their reliability and validity.

**Table 5.30: Intercorrelations between the Items Measuring the Current Annual Budgets Allocation Methods to Units**

Statements	Correlation Coefficients Between the Items													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Last year's expenditure of every unit plus any changes in the number of students	1	0.834	0.809	0.783	0.774	0.819	0.807	0.821	0.839	0.745	0.773	0.808	0.827	0.781
2. The costs of each student multiplied by the number of students in each unit	0.834	1	0.898	0.867	0.863	0.841	0.857	0.835	0.842	0.863	0.864	0.869	0.880	0.809
3. Allocation is based on the number of departments	0.809	0.898	1	0.943	0.925	0.878	0.876	0.870	0.877	0.896	0.896	0.901	0.863	0.839
4. Allocation is based on the number of courses in each department	0.783	0.867	0.943	1	0.964	0.857	0.855	0.879	0.861	0.903	0.899	0.877	0.867	0.813
5. Allocation is based on the weighted cost per course	0.774	0.863	0.925	0.964	1	0.878	0.886	0.880	0.865	0.918	0.901	0.882	0.877	0.836
6. Allocation is based on the university planning and objectives	0.819	0.841	0.878	0.857	0.878	1	0.842	0.880	0.896	0.848	0.882	0.880	0.876	0.890
7. Allocation is based on the weighted cost per student	0.807	0.857	0.876	0.855	0.886	0.842	1	0.865	0.875	0.811	0.838	0.868	0.799	0.817
8. Giving priority to meet shortages in the number of academic staff	0.821	0.835	0.870	0.879	0.880	0.880	0.865	1	0.923	0.857	0.892	0.887	0.844	0.814
9. Giving priority to new programmes by constructing new departments or laboratories or increasing lecture theatres	0.839	0.842	0.877	0.861	0.865	0.896	0.875	0.923	1	0.852	0.876	0.903	0.827	0.830
10. Giving priority to university research	0.745	0.863	0.896	0.903	0.918	0.848	0.811	0.857	0.852	1	0.951	0.885	0.893	0.822
11. Giving priority to students' extra-mural activities	0.773	0.864	0.896	0.899	0.901	0.882	0.838	0.892	0.876	0.951	1	0.934	0.882	0.840
12. Giving priorities to public services such as maintenance, hygiene, electricity, etc.	0.808	0.869	0.901	0.877	0.882	0.880	0.868	0.887	0.903	0.885	0.934	1	0.862	0.841
13. Last year plus inflation	0.827	0.880	0.863	0.867	0.877	0.876	0.799	0.844	0.827	0.893	0.882	0.862	1	0.836
14. Formulating an academic equation including above items	0.781	0.809	0.839	0.813	0.836	0.890	0.817	0.814	0.830	0.822	0.840	0.841	0.836	1

### **5.5.2 Allocation of Insufficient Financial Resources**

This dimension was operationally defined as the extent to which certain factors are affecting universities and college's units and departments in having insufficient financial resources. These reasons include lack of good plans, lack of sufficient funds to the university by MFI, and internal favouritism.

Accordingly, Table 5.31 shows that 56.5% of the respondents felt that they submitted good plans to the university to justify their budget claim. The result indicates that the respondents think that their actual plans and programmes are not taken into consideration by the university central administration during the process of resource allocation and this eventually results in having insufficient resources to meet their strategic visions, priorities, objectives and plans. This result is also supported by HEFCE (1998), Pidcock (2001), and Tayib and Hussin (2003), who found plans and programmes are not connected with budget allocation within their samples of universities. With perhaps inevitability 50.4% of these respondents think that there are no priorities more important than their units compared with 36.6% who agree and 13% undecided. However, 61.7% of these respondents agree that the university's funds are not sufficient to fund all unit's plans and programmes compared with 25.2% who disagree and 13% undecided. This result is consistent with the views of budget managers within these institutions expressed during the qualitative interviews as well as PWE (1987), UAEESA (1994) and ACRPHE (1996) which found similar explanation.

In addition, 48.6% of these respondents think that certain units are more favoured in having sufficient resources than other compared with 34% who disagree and 17.3% undecided. In addition, 59.9% of them believe that certain units are more

powerful than others in getting more resources and this situation has eventually resulted in a lack of sufficient funds to meet priorities and objectives for certain units.

**Table 5.31: Frequency Distribution of Reasons for not Allocating Sufficient Financial Resources to the Units**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. A good plan was not submitted by your unit	10	8.6	19	16.5	21	18.3	32	27.8	33	28.7
2. There are priorities that are more important to the university than my unit	8	6.9	34	29.6	15	13	39	33.9	19	16.5
3. University's funds are not sufficient to fund all unit plans	41	35.6	30	26.1	15	13	16	13.9	13	11.3
4. Some units are more favoured than others	31	26.9	25	21.7	20	17.3	21	18.2	18	15.7
5. Units that are more powerful obtain more resources	35	30.4	34	29.5	16	13.9	15	13	15	13

With this in mind, Table 5.32 reports the findings relevant to the internal consistency among the above questions. Specifically, there seems to be strong positive relationships between these variables. The range of correlation coefficients is between 0.74 and 0.94, with a significant level of  $p \leq 0.001$  or better. These items are thus reliable and sufficiently consistent to be used in further analysis.

**Table 5.32: Intercorrelations between the Items Measuring Reasons for not Allocating Sufficient Financial Resources**

Statements	Correlation Coefficients Between the Items				
	1	2	3	4	5
1. A good plan was not submitted by your unit	1	0.845	0.745	0.775	0.803
2. There are priorities that are more important to the university than my unit.	0.845	1	0.828	0.823	0.863
3. University's funds are not sufficient to fund all unit plans.	0.745	0.828	1	0.819	0.819
4. Some units are more favoured than others.	0.775	0.823	0.819	1	0.941
5. Units that are more powerful obtain more resources.	0.803	0.863	0.819	0.941	1

## **5.6 Budget Implementation (Execution)**

This dimension represents the final phase or step of the budgetary process. Budget implementation has been concerned with the translating of the budget allocation into effect in order to meet priorities, objectives, plans and programmes of HEI. To measure budget implementation, four factors were developed and used by this study, including the impact on budget implementation, reasons for spending the entire budget, reasons for short period purchases and the improvement of the university's budget strategy.

### **5.6.1 The Impact on Budget Implementation**

This dimension has been operationally defined as the extent to which certain factors substantially affect the budget implementation process within UAE HEI. In this regard, seven questions were used to examine the impact of certain factors on budget implementation, including absence of effective inspection, lack of inspection power, non approval of unit's plans and programmes and inadequate financial resources.

Accordingly, Table 5.33 shows that 50.3% of respondents agree that the absence of effective inspection by inspection agencies has an important impact on the budget implementation process, in comparison with 42.6% who disagree and 7% undecided. In addition, 44.3% of these respondents agree that inspection agencies lack power and authority to make or suggest any adjustments to the budget implementation process. These results are supported by the qualitative interviews with budget managers and key university and college officials. These individuals noted that they usually conduct internal adjustments and transfer budget items from the original budget bids to MFI between parts of the budget in order to overcome the lack of

resources assigned. As a result, unit's plans and programmes can be distributed and eventually insufficiently achieved. Budget managers of some public university indicated that the internal process of adjustments, auditing and transferring certain amounts among budget parts usually take a much longer time than would be expected. This delay eventually affects the process of budget implementation.

Similarly, Table 5.33 shows that 60.8% of the respondents agree that plans included in the budget do not reflect a unit's actual plans compared with 29.5% who disagree and 9.5% undecided. Additionally, 46% of the respondents agree that a unit's actual plans and programmes are not approved and more than 55% of them believe that these plans and programme are not included in the budget bill. As was indicated earlier, budget managers believe that there is a lack of strategic planning and any connection with the budgetary process and control. This view was due to the lack of awareness and understanding of strategic visions, priorities, and objectives by both institutions' staff and central federal government agencies and organisations. Due to the strategy-plans-budget disconnection, these institutions are under funded as against successful bid to the MFI. This has eventually been reflected in a reduction of financial resources assigned to each unit within these institutions. These explanations were also supported by the previous accounting literature, particularly Robertson (1997), Groves et al. (1997), HEFCE (1998), Pidcock (2001), and Tayib and Hussin (2003) in their attempts to introduce corporate strategy into universities and the budget connection.

Similarly, Table 5.33 shows that 48.6% of these respondents agree that the financial allocations of the budget committee are in figures rather than plans, compared with 27% disagree and 15.6% undecided. Also, 51.1% of these individual

agree that financial resources are inadequate to be used to achieve plans and programmes effectively compared with 35.6% who disagree and 12.1% undecided. These results reflect and provide practical evidence of chronic under funding problems associated with HEI.

The above constraints were in part confirmed by the Jarrat Report (1985), HEFCE (1988), CIPFA (1997b), and Pidcock (2001). These show that, corporate strategy, as a process should be tied up with resource allocation in order to improve the efficiency and effectiveness of educational institutions.

**Table 5.33: Frequency Distribution of Factors Affecting the Implementation of the Budgeting**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. The absence of effective inspection-by-inspection agencies	25	21.7	33	28.6	8	7	27	23.5	22	19.1
2. Agencies supervising the implementation of the budget have no inspection powers	32	27.8	19	16.5	19	16.5	26	22.6	19	16.5
3. Plans and programmes included in the budget do not represent the units' actual plans.	39	33.9	31	26.9	11	9.5	14	12.1	20	17.4
4. Plans and programmes are not approved	31	26.9	22	19.1	15	13.0	31	26.9	16	13.9
5. Many plans and programmes were not included in the budget bill	32	27.8	33	28.7	16	13.9	19	16.5	15	13
6. The financial allocations of the Budget Committees are in figures rather than for plans	25	21.7	31	26.9	18	15.6	27	23.4	14	12.2
7. Financial resources are inadequate hence plans and programmes are not observed	35	30.4	25	21.7	14	12.1	22	19.1	19	16.5

Table 5.34 indicates that there are significant positive correlations between the factors affecting budget implementation. The ranges of the correlation coefficients are in between 0.68 and 0.89, with a significance level of  $p \leq 0.01$  or better. Accordingly,

the internal consistency among these factors is relatively high. This indicates that these items can be reliable and used in further analysis in chapter six.

**Table 5.34: Intercorrelations between the Items Measuring the Factors Affecting the Implementation of Budgeting within the Units**

Statements	Correlation Coefficients Between the Items						
	1	2	3	4	5	6	7
1. The absence of effective inspection by inspection agencies	1	0.847	0.820	0.821	0.776	0.785	0.709
2. Agencies supervising the implementation of the budget have no inspection powers	0.847	1	0.853	0.839	0.825	0.785	0.714
3. Plans and programmes included in the budget do not represent the units' actual plans	0.820	0.853	1	0.890	0.837	0.766	0.689
4. Plans and programmes are not approved	0.821	0.839	0.890	1	0.858	0.807	0.719
5. Many plans and programmes were not included in the budget bill	0.776	0.825	0.873	0.858	1	0.796	0.685
6. The financial allocations of the Budget Committees are in figures rather than for plans	0.785	0.785	0.766	0.807	0.796	1	0.838
7. Financial resources are inadequate hence plans and programmes are not observed	0.709	0.714	0.689	0.719	0.685	0.838	1

### 5.6.2 Reasons for Spending the Entire Budget

This dimension was operationally defined as the extent to which certain reasons cause universities and colleges to spend their entire budget by the end of the financial year. In this respect, this research has used five items to examine the reasons for spending the entire budget of the unit by the end of that year.

Accordingly, Table 5.35 shows that 60.8% of the respondents agree that the main reason for spending the entire budget by the end of the year has been that financial allowances are returned to the MFI or local government when they are not used, in comparison with 25.2% who disagree and 13.9% undecided.



**Table 5.35: Frequency Distribution of Reasons for Planning to Spend the Entire Budget by the End of the Year**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. Allowances are returned to the Ministry of Finance or the Public Accounts, if not used	40	34.7	30	26.1	16	13.9	13	11.3	16	13.9
2. Not spending allowances affects next year's allowances	45	39.1	42	36.5	3	2.6	13	11.3	12	10.4
3. There are pressures from immediate superiors to spend remaining allowances	32	27.8	28	24.3	6	5.2	25	21.7	24	20.9
4. Next year's economic and financial indices are not encouraging so it is preferable to purchase more stock for the following year	13	11.3	20	17.4	37	32.2	34	29.6	11	9.6
5. Funds can be allocated later in the year date, and must be spent by the end of the year	25	21.7	32	27.8	19	16.5	17	14.8	22	19.1

In addition, 75.6% of the respondents agree that by not spending allowances that this will affect next year's budget and allowances, compared with 21.7% who disagree and 2.6% undecided. In support of these results, the qualitative interviews conducted by the researcher with the budget managers of three universities suggested that the delay in spending these allowances is due to the bureaucratic procedures, high centralisation and financial regulations. Moreover a lack of unit or department power and authority to spend these allowances according to their plans and programmes exists. Because of these factors, the universities and colleges' central administration urge the units to spend the allowances in a very short period. This problem has also been diagnosed by the PWE (1987), UAEESA (1994) and ACRPHE (1996).

Similarly, 52.1% of the respondents agree that there are pressures from immediate superiors to spend remaining allowances compared with 42.4% who disagree and 5.2% undecided. This result is consistent with the views of budget managers expressed during qualitative interviews.

Table 5.35 shows that 39.2% of these respondents agree that they spend their entire budget by the end of year because next year resources will be lower in comparison with 28.7% who agree and 32.2% undecided.

However, 49.5% of these respondents agree that funds can be allocated late in the year and must be spent by the end of the year, compared with 33.9% who disagree and 16.5% undecided. This result is in line with the budget managers' views that MFI approve budget in June or July causing delay in distributing the budget in the university to the units and causing delays in spending to the end of the year.

In addition, Table 5.36 shows that there are positive and significant relationships between the above-mentioned factors. The values of correlation coefficients are between 0.76 and 0.91. The significant level of these coefficients is  $p \leq 0.001$  or better. These findings indicate that there seems to be a high internal consistency and reliability among the items measuring the reasons for spending the whole allowances in a short period by UAE HEI. Therefore, these items will be used in further analysis.

**Table 5.36:** Intercorrelations between the Items Measuring the Reasons for Units Spend Entire Budget by the End of the Year

Statements	Correlation Coefficients Between the Items				
	1	2	3	4	5
1. Allowances are returned to the Ministry of Finance or the Public Accounts, if not used	1	0.913	0.760	0.761	0.797
2. Not spending allowances affects next year's allowances	0.913	1	0.766	0.795	0.806
3. There are pressures from immediate superiors to spend remaining allowances	0.760	0.766	1	0.856	0.833
4. Next year's economic and financial indices are not encouraging so it is preferable to purchase more stock for the following year	0.761	0.795	0.856	1	0.868
5. Funds can be allocated later in the year date, and must be spent by the end of the year	0.797	0.806	0.833	0.868	1

### **5.6.3 Reasons for Short Period Purchases**

These reasons were operationally defined as the extent to which certain reasons cause the purchasing of university and college requirements in short periods. In examining reasons for short period purchases, thirteen statements were developed and used in this study. These reasons include the lack of clear plan for provision of university's requirements, weakness of purchase committees, etc.

The results are presented in Table 5.37. It has been shown that 60.8% of the respondents agree that there is a lack of clear plan for the provision of requirements according to a suitable timetable, compared with 36.5% who disagree and 2.6% undecided. Also, 47.8% of these agree that departmental purchasing committees are weak and have no authority to decide or organise the period for their university departments and units requirements compared with 40.9% who disagree and 11.3% undecided. These results were supported by the qualitative interviews with the budget managers and university senior officials who indicated that it is very difficult to schedule departments or units' purchase in advance due to the lack of knowledge of the resources assigned to these purposes by the central government. This problem being a reflection of the absence of strategy-plan-budget connection mentioned earlier in this chapter. Additionally, budget managers think that purchasing committees can only decide the bidding process for equipment, plants, laboratories, etc., but the final decisions have to be taken by the budget holders-usually universities senior officials. This causes disruption in the supply chain.

Similarly, Table 5.37 shows that 42.7% of the respondents agree that universities purchasing committees are ineffective compared with 37.4% who disagree and 20% undecided. Also, 60% of them agree that financial rules and

regulations are complicated in comparison with 38.3% who disagree and 1.7% undecided. These results have been supported by the budget managers' views of the actual complex procedures and process for conducting any university's purchases. The red tape, high bureaucratisation and role formalisation along with high centralisation affect the effectiveness and efficiency of purchasing committees.

Likewise, Table 5.37 shows that 62.6% of the respondents agree that high centralisation within the universities' structures delays purchases, compared with 23.5% who disagree and 13.9% undecided. In addition, 47.8% of them agree that their universities and colleges are late in distributing their financial allowances compared with 36.6% who disagree and 15.6% undecided. These results provide practical evidence of high a degree of bureaucracy and a lack of power among institutions' relatively senior officials to decide and approve their resources allocation plans and budgets. This has resulted in delays in the distribution of budgets during the fiscal year. Many budget managers have put forwarded this explanation within UAE HEI during the qualitative interviews.

**Table 5.37: Frequency Distribution of Purchasing University's Requirement within a Short Period**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. A clear plan for the provision of requirements according to a suitable timetable is lacking	32	27.8	38	33	3	2.6	23	20	19	16.5
2. Unit or departmental purchasing committees are weak	25	21.7	30	26.1	13	11.3	29	25.2	18	15.7
3. Purchasing committees within the university as a whole are ineffective	31	26.9	18	15.7	23	20.0	30	26.1	13	11.3
4. Financial rules and regulations are complicated	39	33.9	30	26.1	2	1.7	34	29.6	10	8.7
5. Centralisation of decision-making in the university delays purchases	39	33.9	33	28.7	16	13.9	14	12.2	13	11.3
6. The university is late in distributing financial allowances	26	22.6	29	25.2	18	15.6	31	27	11	9.6
7. Late allocation of the budget by the Ministry of Finance (Governmental universities)	39	33.9	26	22.6	22	19.1	16	13.9	12	10.4
8. Departments are late in submitting their purchase orders	13	11.3	29	25.2	19	16.5	39	33.9	15	13
9. Funds allocated are more than required and this emerges at the end of the year, unless they are spent	14	12.1	11	9.6	17	14.7	31	26.9	42	36.5
10. Purchase priorities according to approved plans are ambiguous	24	20.8	27	23.4	10	8.6	27	23.4	27	23.4
11. Financial resources are too small and do not cover the purchase of requirements thus leading to the difficulty of arranging priorities	42	36.5	24	20.9	10	8.6	27	23.5	12	10.4
12. The officials responsible for purchasing at the unit lack the experience to manage purchasing	31	26.9	22	19.1	17	14.7	25	21.7	20	17.4
13. The unit's financial officials poor performance leads to delays in the purchasing process	23	20.0	26	22.6	9	7.8	36	31.3	21	18.3

Consistent with this view, 56.9% of the respondents agree that late apportionment of financial resources by the MFI has affected the purchasing of institutions' requirements, compared with 24.3% who disagree and 19.1% undecided. In addition, 36.5% of the respondents agree that the departments are late in submitting their purchase order in comparison with 46.9% who disagree and 16.5% undecided.

These results indicate bureaucratisation and lack of units and departments' power and authority to decide and expedite their purchases. Budget managers in both public and private sectors' universities and colleges confirmed this view.

However, 63.5% of the respondents disagree that funds allocated to each unit or department are more than required in comparison with 21.7% who agree and 14.8% undecided. In addition, 44.4% of them agree the purchase priorities according to plans are ambiguous compared with 47% who disagree and 8.6% undecided. These results indicate that plans-budgets disconnection has caused serious problems in the budget implementation process relevant to the institution's purchasers. Table 5.37 also reveals that 57.4% of the respondents agree that financial resources are too small to cover the annual universities and colleges purchases, compared with 33.9% who disagree and 8.6% undecided. Further, 46% of the respondents agree that there seems to be a lack of skills and experience among unit officials in conducting their purchases, compared with 39.1% who disagree and 14.8% undecided.

49.6% of these respondents disagree that the poor performance of unit officials leads to delays in the purchasing process in comparison with 42.6% who agree and 7.8% undecided. These results could indicate that the late approval of budget allocation for these institutions by the central government and then by the institution itself has resulted in limited effectiveness and efficiency in meeting university and college purchasing orders throughout the fiscal year. This in turn could affect learning and teaching programmes and other support activities offered by these educational institutions. This poor performance suggests that universities and colleges may be over paying for their purchase. This would represent a prime example of waste as a result of the budget process.

Following this view, Table 5.38 indicates that there are positive and significant correlations between the items discussed above. The range of correlation coefficients is between 0.65 and 0.95, with a significance level of  $p \leq 0.001$  or better. These items are therefore consistent and reliable to be used in further analysis.

**Table 5.38: Intercorrelations between the Items Measuring the Reasons for Purchasing University's Requirements within a Short Period**

Statements	Correlation Coefficients Between the Items												
	1	2	3	4	5	6	7	8	9	10	11	12	13
A clear plan for the provision of requirements according to a timetable is lacking	1	0.892	0.811	0.811	0.815	0.769	0.701	0.774	0.781	0.834	0.652	0.777	0.783
Unit or departmental purchasing committees are weak	0.892	1	0.86	0.810	0.825	0.779	0.762	0.756	0.782	0.846	0.703	0.775	0.759
Purchasing committees within the university as a whole are ineffective	0.811	0.862	1	0.866	0.869	0.811	0.768	0.783	0.782	0.837	0.769	0.779	0.758
Financial rules and regulations are complicated	0.811	0.810	0.866	1	0.868	0.861	0.795	0.803	0.827	0.844	0.767	0.824	0.788
Centralisation of decision-making in the university delays purchases	0.815	0.825	0.869	0.868	1	0.858	0.811	0.766	0.734	0.838	0.758	0.753	0.716
The university is late in distributing financial allowances	0.769	0.779	0.811	0.861	0.858	1	0.853	0.811	0.787	0.854	0.759	0.776	0.758
Late allocation of the budget by the Ministry of Finance. (Governmental universities)	0.701	0.762	0.768	0.795	0.811	0.853	1	0.791	0.719	0.787	0.804	0.709	0.708
Departments are late in submitting their purchase orders	0.774	0.756	0.783	0.803	0.766	0.811	0.791	1	0.833	0.861	0.677	0.796	0.768
Funds allocated are more than required and this emerges at the end of the year, unless they are spent	0.781	0.782	0.782	0.827	0.734	0.787	0.719	0.833	1	0.842	0.659	0.809	0.813
Purchase priorities according to approved plans are ambiguous.	0.834	0.846	0.837	0.844	0.838	0.854	0.787	0.861	0.842	1	0.740	0.813	0.796
Financial resources are very little and do not cover the purchase of requirements thus leading to the difficulty of managing priorities	0.652	0.703	0.769	0.767	0.758	0.759	0.804	0.677	0.659	0.740	1	0.743	0.716
The officials responsible for purchasing at the unit lack the experience to manage purchasing	0.777	0.775	0.779	0.824	0.753	0.776	0.709	0.796	0.809	0.813	0.743	1	0.957
The unit's financial officials or performance leads to delays in the purchasing process	0.783	0.759	0.758	0.788	0.716	0.758	0.708	0.768	0.813	0.792	0.716	0.957	1

#### **5.6.4 The Improvement of the University's Budget Execution**

This dimension was operationally defined as the extent to which certain methods can improve the strategic implementation of the budgetary process and control. In this respect, the present study has developed eight items measuring possible improvements in the university budget strategy.

Accordingly, Table 5.39 has been shown that 79.2% of the respondents agree that adopting the unit's annual plans and programmes can improve strategic performance by the institution's budget in comparison with 11.2% who disagree and 9.6% undecided. In addition, 84.3% of them agree that adopting long-term (three to five years) plans and programmes can improve the strategic implementation of financial resources in comparison with 10.4% who disagreed and 5.2% undecided. These results are supported by the previous accounting literature, particularly Jarratt Report (1985), Robertson (1993), Groves et al. (1997), CIPFA (1997a), HEFCE (1998), and Pidcock (2001). They are also supported by the descriptive studies conducted in the UAE HEI, such as PWE (1984, 1987), UAEESA (1994) and ACRPHE (1996) as well as the views of universities officials noted earlier in this chapter. Likewise, 84.3% of the respondents agree that plans-programmes-objectives links can improve strategic performance of financial planning within these institutions compared with 9.5% who disagree and 6.1% undecided. In addition, 76.6% of these respondents believe that increasing and promoting a unit's power and authority can improve budget implementation, in comparison with 9.6% who disagree and 13.9% undecided. These results were supported by Jarratt Report (1985) and with those reported in a study by UAEESA (1994), Ackroyd and Ackroyd (1999), Pidcock (2001), and Tayib and Hussin (2003).



Additionally, 75.7% of the respondents agree that devolving more authority to the units and departments within each institution can enhance and promote financial performance and the strategic implementation of budgets in comparison with 10.4% who disagree and 13.9% undecided. Furthermore, more than 69.5% of the respondents agree that more democratic styles (better supervision) of management, treating units based on their performance and improving financial and budget regulations can support improved budget strategic implementation. All above results were supported by all Chancellors, VCs and DVCs during the qualitative interviews as well as by, Robertson (1993), HEFCE (1998), UAEESA (1994), ACRPHE (1996), and Pidcock (2001).

**Table 5.39: Frequencies Distribution of Improvements to the University's Budget Execution**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. Adopting units' annual plans and programmes	34	29.6	57	49.6	11	9.6	4	3.5	9	7.8
2. Adopting long-term (three to five year) plans	45	39.1	52	45.2	6	5.2	3	2.6	9	7.8
3. Linking plans and programmes with the university's general objectives	45	39.1	52	45.2	7	6.1	3	2.6	8	6.9
4. Devolving more financial and administrative powers to units	34	29.6	54	47	16	13.9	11	9.6	0	0
5. Devolving more authority to the units in executing their budget	33	28.7	54	47	16	13.9	4	3.5	8	6.9
6. Better supervision of units in the implementation of plans and programmes	25	21.7	55	47.8	15	13	15	13.0	5	4.3
7. Treating units on the basis of their results	31	27	58	50.4	11	9.6	11	9.5	4	3.5
8. Improving financial and budget regulations	39	33.9	43	37.4	18	15.7	5	4.3	10	8.6

To examine the internal consistency of this measure, Pearson correlations were conducted and results are presented in Table 6.40. There are positive and significant relationships exist between the items measuring university's strategic budget implementations. The range of the correlation is between 0.85 and 0.96, with a significance level of  $p \leq 0.001$ . Accordingly, these items are internally consistent and reliable to be used in this research.

**Table 5.40:** Intercorrelations between the Items Measuring the Improvement of the University's Budget Implementation

Statements	Correlation Coefficients Between the Items							
	1	2	3	4	5	6	7	8
1. Adopting units' annual plans and programmes	1	0.946	0.953	0.912	0.895	0.873	0.886	0.881
2. Adopting long-term (three to five year) plans	0.946	1	0.960	0.905	0.890	0.855	0.892	0.853
3. Linking plans and programmes with the university's general objectives	0.953	0.960	1	0.927	0.907	0.885	0.918	0.884
4. Devolving more financial and administrative powers to units	0.912	0.905	0.927	1	0.960	0.863	0.889	0.891
5. Devolving more authority to the units in executing their budget	0.895	0.890	0.907	0.960	1	0.871	0.894	0.912
6. Better supervision of units in the implementation of plans and programmes	0.873	0.855	0.885	0.863	0.871	1	0.876	0.888
7. Treating units on the basis of their results	0.886	0.892	0.918	0.889	0.894	0.876	1	
8. Improving financial and budget regulations	0.881	0.853	0.884	0.891	0.912	0.888		1

## 5.7 Centralisation of Financial Decision-Making

This research has considered centralisation of financial and administrative decision-making within the UAE HEI. This dimension has been operationally defined as the extent to which financial strategic and managerial decisions are centralised. In this respect, the present study has developed three variables relevant to the centralisation of financial decision-making. These variables include the power of

financial and administrative units, reasons for power struggle and the impact of internal power on the decision-making process.

#### **5.7.1 Financial and Administrative Power (Authority)**

This dimension was operationally defined as the extent to which units or departments within these institutions have the financial and administrative power to decide the appointment of permanent staff, reward the staff, terminate staff services, purchasing, budget apportionment, etc. Table 5.41 reports that only 47% and less of respondents think that they have the authority to appoint permanent and short term contract staff, or terminate staff in whatever category. These results seem to be encouraging with regard to the devolution of authority to the senior managers and units to appoint the members of regular and temporary staff. However, these findings can be accepted with caution, since these managers have to obtain prior approval from higher officials who decide the resources necessary for them to carry out unit's activities and programmes. In addition, staff appointment has to be approved by the central administration of each institution which in turn has been constrained by the resources assigned to them by the MFI. As was indicated by a VC during the qualitative interviews a university unit does not have the freedom to make appointment decisions. Since the final authority is in the hand of central administration committees. He explained that there is a chain of approval starting with a section council, then department council, school council, and last the central administration of the university which makes the decision. This helps prevent units committing the university to potentially long term expenditure without proper authority.

**Table 5.41: Frequencies Distribution of the Extent of the Unit's Financial and Administrative Powers**

	Statements	Scale of Response					
		Yes		No		Don't Know	
		(1)		(2)		(3)	
		Freq	%	Freq	%	Freq	%
1	Appointment of permanent staff	46	40	60	52.2	9	7.8
2	Appointment of staff on daily basis	51	44.3	54	47	10	8.7
3	Terminating the services of staff	49	42.6	53	46.1	13	11.3
4	Terminating the services of daily paid staff	54	47	45	39.1	16	13.9
5	Rewarding staff member from the unit's budget	24	20.9	70	60.9	21	18.3
6	Permission for secondments	31	27	68	59.1	16	13.9
7	Permission for attendance at courses	61	53	44	38.3	10	8.7
8	Purchasing using petty cash money	86	74.8	20	17.4	9	7.8
9	Entering to contracts	38	33	64	55.7	13	11.3
10	Apportioning unit's budget	67	58.3	35	30.4	13	11.3
11	Financial transfer from one item to the other	43	37.4	54	47	18	15.7
12	Financial transfer from one section to another	29	25.2	63	54.8	23	20
13	Approving regular staff leaves	87	75.7	18	15.7	10	8.7

Likewise, Table 5.41 indicates that 20.9% of the respondents think that they have the power to reward staff members from the unit's budget. 27% have a power to give permission for secondment, and only 53% of the respondents have the power to giving permission for attending training courses. These types of decisions, however, need to be approved by the central administration of these institutions due to the high managerial tendency towards centralisation of decision-making. As was indicated by the key universities personnel, these decisions need approval from the principals and their deputies operating within these institutions. This inevitability slows down budget spend.

Table 5.41 also shows that financial decisions have to be taken and approved by senior officials of these institutions. Specifically, the majority of the respondents 47% or more do not think that they have the power to enter into contracts, apportion

the unit's budget, to make financial transfer from one item to another of one budget section (virement). However, some of these decisions have to be approved and permitted by the university central administration. The only two powers that the respondent think they have is the authority to spend from petty cash and approve staff leave. These results provide practical evidence and indication of high bureaucracy and centralism and a lack of power and authority among senior executive managers in these institutions.

Consistent with the above thought, Table 5.42 shows that 77.5% of the respondents thought that granting units greater budget autonomy would lead to greater efficiency in achieving a unit's objectives. However, this is not currently the case within these institutions due to the high centralisation of decision-making and the limited power and authority of each unit or department to have such financial autonomy. This explanation has been confirmed by university officials during the qualitative interviews.

**Table 5.42: Frequencies Distribution of the Granting Unit's Greater Budget Autonomy**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. Do you thing that granting units greater budget autonomy would lead to greater efficiency in achieving unit objective?	37	32.2	52	45.2	17	14.8	8	7	1	0.9

### 5.7.2 Reasons for Power Struggle

Consistent with the above views, this study has considered the reasons for power struggles as a second dimension of centralisation of decision-making within these institutions. As indicated earlier, seven items were used to examine the reasons

for power struggle among managers and heads of sections. Table 5.43 shows that 59.1% of the respondents agree that the institutions lack of articulated strategies in comparison with 31.3% who disagree and 9.5% undecided. In addition, 66% of them think that the reason for power struggles could be the absence of long-term goals and objectives compared with 28.7% who disagree and 5.2% undecided. These results were supported by the previous literature, particularly Baldrige (1971), PWE (1987), Robertson (1993), ACRPHE (1996), Pidcock (2001), and Tayib and Hussin (2003). They are also confirmed by the senior universities and colleges officials during interview.

Consistent with these findings, Table 5.43 shows that 53.9% of the respondents agree that the reason for power struggles could be the lack of job descriptions compared with 35.7% who disagree and 10.4% undecided. This is supported by PWE (1984, 1987) and UAEESA (1994). They stated that HEI do not have sophisticated job descriptions and specifications for their members of staff, particularly financial and budget officials. A DVC confirmed this result also during an interview. Similarly, 40.8% agree that ideological conflict within an institution could be the reason for power struggles in comparison with 54.7% who disagree and 4.3% undecided. As a result, the situation has created ideological differences and disputes among units and departments of each institution. In addition, 58.2% of the respondents agree that personal interests of individuals is one of the reasons for power struggles compare with 23.4% who disagree and 18.2% undecided. These results were also confirmed by the responses of individuals involved in this study as to the reasons for power struggles among universities and colleges units and departments.

Additionally, Table 5.43 shows that 57.3% of the respondents believe that the lack of financial resources has contributed significantly to power struggles, compared with 26.9% disagree and 15.7% undecided. This result is the case with regard to UAE HEI especially as it is suffering from the problems of chronic under funding identified by PWE (1987), ACRPHE (1996), and the views of universities officials. The findings indicate that there are many members of staff involved in the study that opted to choose undecided answers among the five-point Likert scale. As a result, such choice may affect the development of conclusions and implications as well as other analyses conducted in this study.

**Table 5.43:** Frequencies Distribution of the Reasons Power Struggles among University's Units

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. The institution lacks articulated strategies	37	32.1	31	27	11	9.5	20	17.4	16	13.9
2. Absence of long-term Goals and objectives	38	33.0	38	33	6	5.2	18	15.7	15	13
3. Absence of jobs description	35	30.4	27	23.5	12	10.4	23	20	18	15.7
4. Ideological conflicts within an institution	19	16.5	28	24.3	5	4.3	30	26.1	33	28.7
5. Conflict of personal interests and advantages	34	29.5	33	28.7	21	18.2	15	13	12	10.4
6. Absence of participation in decision-making	30	26.1	36	31.3	13	11.3	22	19.1	14	12.2
7. Inadequate financial resources	38	33.04	28	24.3	18	15.6	16	13.9	15	13

Furthermore, Table 5.44 reports the correlation coefficients among the above items. It is shown that positive relationships have been found between the reasons measuring power struggles. The range of correlation is in between 0.64 and 0.96. The significance level is  $p \leq 0.001$  and better. These findings reveal that these items are reliable and consistent in measuring the phenomenon under investigation. Therefore, they are used in further analysis.

**Table 5.44: Intercorrelations between the Items Measuring the Reasons for Power Struggles among University's Units**

Statements	Correlation Coefficients Between the Items						
	1	2	3	4	5	6	7
1. The institution lacks articulated strategies	1	0.965	0.892	0.837	0.804	0.857	0.742
2. Absence of long-term Goals and objectives	0.965	1	0.888	0.853	0.818	0.870	0.753
3. Absence of jobs description	0.892	0.888	1	0.812	0.784	0.822	0.646
4. Ideological conflicts within an institution	0.837	0.853	0.812	1	0.951	0.861	0.733
5. Conflict of personal interests and advantages	0.804	0.818	0.784	0.951	1	0.872	0.726
6. Absence of participation in decision-making	0.857	0.870	0.822	0.861	0.872	1	0.706
7. Inadequate financial resources	0.742	0.753	0.646	0.733	0.726	0.706	1

### 5.7.3 The Impact of Internal Power on Decision-Making

This dimension has operationally been defined as the extent to which certain internal power factors affect decision-making. These factors include the absence of co-ordination among units, the emergence of negative attitudes among staff, inconsistent decision-making, etc. Accordingly, Table 5.45 reports that 60.9% of the respondents agree that absence of co-ordination among units has affected a unit's and department's internal power for decision-making compared with 19.1% who disagree and 20% undecided. Also, 57.4% of the respondents agree that the emergence of negative attitudes among staff affects the unit's internal power in comparison with 17.3% who disagree and 25.2% undecided. As was indicated by the key universities and colleges personnel, bureaucracy and a lack of co-ordination among departments and units can seriously affect efficiency and effectiveness of these institutions and create conflicts of interest among academic and non-academic members of staff. Table 5.45 also shows that 53% of the respondents agree that inconsistent decision-



making has affected the internal power of units and departments in comparison with 19.9% who disagree and 27% undecided. Additionally, 52.2% of them agree that the disagreement about strategy has negatively affected the internal power of units and departments compared with 20.8% who disagree and 27% undecided. These findings was supported by the views of senior universities personnel who indicated that the absence of strategy-resources allocation connections can result from the lack of co-ordination among institution's units and departments and compound any disagreements about strategy. These findings were also supported by Groves et al. (1997), Pidcock (2001), who concluded that a lack of awareness of strategic planning can result in a lack of co-ordination and inconsistency among decision-makers and power struggles.

Consistent with these views, Table 5.45 shows that 52.2% of the respondents agree that the frustration over achieving strategic goals and objectives among staff members of colleges and universities has influenced the negative views on internal power for decision-making compared with 21.7% who disagree and 26.1% undecided. In addition, 45.2% of these individuals agree that unfairness in resource allocation has caused a negative view of the unit's internal power compared with 22.6% who disagree and 32.2% undecided. These findings could be the case if one considers the chronic under funding problems facing UAE HEI (PWE, 1987; UAEESA, 1994 and ACRPHE, 1996). Further, 50.4% of the respondents agree that there is waste of resources and inefficiency compared with 24.3% who disagree and 25.2% undecided resulting from internal power struggles. In addition, 23.5% of these agree that there is a duplication of effort within universities with 19.1% who disagree and 28.7% undecided.

**Table 5.45: Frequencies Distribution of the Impact of the Negative Internal Power**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. Absence of co-ordination among units	26	22.6	44	38.3	23	20	15	13	7	6.1
2. Emergence of negative attitudes among staff	17	14.8	49	42.6	29	25.2	14	12.1	6	5.2
3. Inconsistent decision-making	23	20	38	33	31	27	14	12.1	9	7.8
4. Disagreements about strategy	21	18.3	39	33.9	31	27	18	15.6	6	5.2
5. Frustrates the achievement of institution's strategy	18	15.7	42	36.5	30	26.1	19	16.5	6	5.2
6. Unfair distribution of resources	16	13.9	36	31.3	37	32.2	20	17.4	6	5.2
7. Waste of resource and inefficiency	20	17.4	38	33	29	25.2	13	11.3	15	13.0
8. Duplication of effort	16	13.9	44	38.3	33	28.7	10	8.7	12	10.4
9. Widespread of bureaucracy and centralisation within the administrative and financial system	21	18.3	43	37.4	33	28.7	14	12.1	4	3.5
10. Risk of adverse activity behaviour	16	13.9	33	28.7	41	35.7	12	10.4	13	11.3
11. A blame culture	23	20	38	33	30	26.1	10	8.7	14	12.1

Furthermore, 55.7% of the respondents agree that widespread bureaucracy and centralisation within the administrative and financial systems has created the negative view of internal power of decision-making in comparison with 15.6% who disagree and 28.7% undecided. Moreover, 42.6% of the respondents agree that the risk of adverse activity behaviour could influence the negative view of internal power among units and departments staff in comparison with 21.7% who disagree and 35.7% undecided. Beside that 53% of respondents agree that a blame culture has caused the negative view of the unit's internal power in comparison with 20.8% who disagree and 26.1% undecided. These latter findings have been supported by PWE (1987), and ACRPHE (1996), as well as by the views of the budget managers and senior universities officials during the qualitative interviews.

In the same vein, Table 5.46 reports the correlation coefficients among the items measuring the impact of negative internal power on decision-making process. Accordingly, there seems to be positive and significant relationships between these items. The range of the correlation coefficients is between 0.80 and 0.96, with a significance level of  $p \leq 0.001$  and better. Therefore, the internal consistency among these items seems to be high. This indicates that these items can be used in further analysis due to their reliability and validity in representing the internal power under investigation.

**Table 5.46: Intercorrelations between the Items Measuring the Negative Impact of Internal Power**

Statement	1	2	3	4	5	6	7	8	9	10	11
1. Absence of co-ordination among units	1	0.961	0.916	0.884	0.906	0.813	0.872	0.868	0.850	0.863	0.855
2. Emergence of negative attitudes among staff	0.961	1	0.905	0.881	0.903	0.811	0.851	0.858	0.851	0.855	0.856
3. Inconsistent decision-making	0.916	0.905	1	0.948	0.962	0.879	0.855	0.858	0.822	0.832	0.835
4. Disagreements about strategy	0.884	0.881	0.948	1	0.940	0.852	0.829	0.831	0.806	0.837	0.845
5. Frustrates the achievement of institution's strategy	0.906	0.903	0.962	0.940	1	0.882	0.860	0.868	0.827	0.835	0.831
6. Unfair distribution of resources	0.813	0.811	0.879	0.852	0.882	1	0.951	0.910	0.896	0.880	0.875
7. Waste of resource and inefficiency	0.872	0.851	0.855	0.829	0.860	0.951	1	0.948	0.916	0.905	0.906
8. Duplication of effort	0.868	0.858	0.858	0.831	0.868	0.910	0.948	1	0.943	0.938	0.932
9. Widespread of bureaucracy and centralisation within the administrative and financial system	0.850	0.851	0.822	0.806	0.827	0.896	0.916	0.943	1	0.925	0.926
10. Risk of averse activity behaviour	0.863	0.855	0.832	0.837	0.835	0.880	0.905	0.938	0.925	1	0.910
11. A blame culture	0.855	0.856	0.835	0.845	0.831	0.875	0.906	0.932	0.926	0.910	1

## 5.8 University's Budget Reports

The final dimension used in this chapter is that to explore views on university's budget reports, which in turn are divided into three main factors regarding the receipt of budget reports, effectiveness of these budget reports, and the reasons for

ineffective budget reports. The respondents were asked to indicate their responses relevant to receiving budget reports or not and whether budget reports are effective or not. Accordingly, Table 5.47 shows that 63.5% of the respondents do not receive unit's budget reports in comparison with 30.4% of 'yes' answers and 6.1% 'do not know' answers. These results could indicate that only certain units and departments managers receive regular budget reports. This was supported by the qualitative interviews conducted with budget managers.

**Table 5.47: Frequencies Distribution for Receiving Reports Regarding Unit Budget**

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	35	30.4
No	73	63.5
I don't Know	7	6.1
Total	115	100

In addition, Table 5.48 indicates that 70.4% of the respondents think that budget reports are ineffective compared with 23.5% with 'no' answers and 6.1% 'do not know' answers. As was indicated by the senior university's officials these reports were inaccurate, late, and lacking information on financial performance indicators. In addition, they do not provide either a reasonable base or measures for the management to take actions regularly rectifying the weakness of budget implementation.

**Table 5.48: Frequencies Distribution for Believing that Budget Reports is Ineffective**

<b>Types of Answer</b>	<b>Frequency</b>	<b>%</b>
Yes	81	70.4
No	27	23.5
I don't Know	7	6.1
Total	115	100

Consistent with this view, this research attempts to highlight the reasons for having ineffective budget reports. Table 5.49 indicates that 60.7% of the respondents agree that the reports are not accurate compared with 27.8% who disagreed and 11.3% undecided. In addition, 52.9% of them think that budget reports contain many mistakes compared with 33.8% who disagree and 13% undecided. These findings seem to be in line with the views of senior universities and colleges officials noted above. Similarly, 50.3% of these respondents agree that the information recorded in these reports is old and not reliable in decision-making in comparison with 34.7% who disagree and 14.7% undecided. This finding may be related to that on the quality of staff outlined earlier.

Additionally, 57.3% of the respondents think that there is a lack of integration in computer systems connected to finance or budget departments to receive the information directly from its sources, in comparison with 29.5% who disagree and 13% undecided. The lack of computer skills and deployment of appropriate financial packages and programmes could be one of the reasons for ineffective reporting system used by these institutions. A number of budget managers and senior officials within these institutions supported these explanations during the qualitative interviews.

In the same spirit, 65.1% of these individuals agree that the financial information submitted in these reports is not updated compared with 25.1% who disagree and 9.5% undecided. Moreover, 53.8% of the respondents agree that these reports are ambiguous and difficult to understand by university and college senior officials compared with 41.7% who disagree and 4.3% undecided. These results could be a reflection of the lack of financial knowledge, regulations, and rules

relevant to the report formulating and its contents. Finally, 65.1% of these respondents agree that the reports forwarded do not support any effective decision-making process in comparison with 24.3% who disagree and 10.4% undecided.

**Table 5.49: Frequencies Distribution of the Reasons for Ineffectiveness of Budget Reports**

Statements	Scale of Response									
	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	(1)		(2)		(3)		(4)		(5)	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1. The reports are not accurate	33	28.6	37	32.1	13	11.3	26	22.6	6	5.2
2. It contains mistakes	30	26.0	31	26.9	15	13.0	25	21.7	14	12.1
3. The information is old and cannot depend on decision-making	31	26.9	27	23.4	17	14.7	28	24.3	12	10.4
4. There is no integrated computer system connected to finance or budget department to receive the information directly from its resource	32	27.8	34	29.5	15	13	25	21.7	9	7.8
5. The information is not updated	43	37.3	32	27.8	11	9.5	18	15.6	11	9.5
6. The reports it self is ambiguous and not understood	28	24.3	34	29.5	5	4.3	26	22.6	22	19.1
7. The information does not arrive on time to support decision-making	42	36.5	33	28.6	12	10.4	25	21.7	3	2.6

Furthermore, Table 5.50 shows that there are positive and significant correlations among the items measuring the reasons for ineffective budget reports. The range of correlations is between 0.82 and 0.99 with a significant level of  $p \leq 0.01$  or better. These findings suggest that there is a high reliability and consistency among these items.

**Table 5.50: Intercorrelations between the Items Measuring the Reasons for Ineffectiveness of Budget Reports**

Statements	Correlation Coefficients Between the Items						
	1	2	3	4	5	6	7
1. The reports are not accurate	1	0.992	0.970	0.956	0.966	0.972	0.854
2. It contains mistakes	0.992	1	0.966	0.960	0.955	0.984	0.826
3. The information is old and cannot depend on decision-making	0.970	0.966	1	0.978	0.972	0.975	0.896
4. There is no integrated computer system connected to finance or budget department to receive the information directly from its resource	0.956	0.960	0.978	1	0.961	0.973	0.875
5. The information is not updated	0.966	0.955	0.972	0.961	1	0.967	0.898
6. The reports it self is ambiguous and not understood	0.972	0.984	0.975	0.973	0.967	1	0.825
7. The information does not arrive on time to support decision-making	0.854	0.826	0.896	0.875	0.898	0.825	1

## 5.9 Summary

This chapter reported the primary findings of the variables involved in this investigation. Frequency distribution and Pearson Correlation with two-tailed tests were carried out as statistical techniques appropriate for the purposes of this study. In addition, eight main sections were used for the presentation of these findings.

The results show that several factors can be used to examine the nature of budgeting in UAE universities including personal and organisational factors, clearness and communication of university's strategies, budget preparation, budget implementation, centralisation of financial budget decision-making and the reporting systems within these institutions.

Despite the consistency of measures used in this investigation, it has been shown that a significant number of managers and heads of sections seem to be indecisive in their responses relevant to the budget constraints, power struggle,

negative internal power and other variables of interest in this research. This may affect further analysis regarding connection, cause, and effect of these variables on the budgeting system of UAE HEI. Such findings will be discussed in the following chapter and the final conclusion.



## **CHAPTER SIX**

### **RESULTS AND ANALYSIS**

#### **6.1 Introduction**

The frequencies distributions reported in the previous chapter have shown important indications relevant to the nature of the budgeting process, strategy, plans and programmes as well as evidence of the centralisation of decision-making within HEI in UAE. In this chapter, the results of these relationships will be examined and further analyzed.

This thesis will boost the statistical findings through the interviews held with university officials including four chancellors, five VCs, one DVC and thirteen finance and budget managers. It is hoped that these interviews will provide stronger evidence to reinforce the conclusions derived from this research. In addition, these interviews highlight and support the research model (see chapter four)

#### **6.2 Personal and Organisational Factors-Strategy Relationships**

As was indicated earlier, Pearson correlation and multiple regression analysis will be used to examine the hypothetical model suggested in this investigation (chapter four). In this respect, it is noteworthy to report that, there are many caveats and warnings surrounding the use of these parametric statistical techniques, such as, respondent bias, normality of variables involved in this enquiry, non-linearity of the variables examined in terms of cause and effect as well as interrelationships subjective rather than objective measures used in this research, using ordinal measures

as independent variables in the regression analysis reported in this chapter and curvilinearity of certain regression runs conducted in this analysis.

To overcome these difficulties and increase the robustness of the findings of these powerful statistical techniques, the researcher has taken several procedures and steps throughout the analysis. The first step has been overcome the bias of the respondents and its impact on the strength of the correlation and regression coefficients. Accordingly, partial Pearson correlations to control variables in the analysis order were used beside the dummy variables to replace certain ordinal and nominal independent variables.

The second step has been the use of one-tailed instead of two-tailed test in examining the level of interval confidence (significant level) in reporting correlation results. The third procedure has been to check the application of the conditions required for multiple regression analysis used in the examination of the personal and organisational characteristics. The curvilinearity and autocorrelation problems for example, were resolved by using dummy variables, dropping certain independent variables and using square roots and log and line factors. For the normality of distribution relevant to the measures used in this research histograms, skewness and kurtosis indicators were used by having several descriptive statistics and regression runs. Despite the effort and time consumed by the researcher to enhance the findings of these tests, certain results have not been in line with the research model and its assumptions. However, these statistical techniques prove to be very useful in similar accounting studies reported earlier in this thesis.

In addition, the theme of this research and its exploratory nature in assessing the impact of university's strategy on the budgetary process and control has necessitated the deployment of such parametric statistical techniques.

In order to examine the interrelationships between organisational and personal characteristics, strategy, plans and programmes, the averages of strategy, plans and programmes variables were computed and used in conducting Pearson correlations and regression analysis. These later statistical techniques were used in exploring, presenting, reporting and discussing the above relationships.

As has been pointed out for the purposes of this research, strategy was divided into two main variables - strategy clearness and communication. The first five items of strategy vision (Part two of the questionnaire) represent strategy clearness. Strategy communication has been represented by questions six to eight in the same part. Plans and programmes were divided into three variables consisting of preparing plans and programmes, obtaining and utilizing plans and programmes, and the reasons for strategy - plans - budgeting disconnection.

The personal attributes in this study consist of age, gender, nationality, educational level, and occupation. The organisational factors include management level, number of years in service, type of university, and participation in the budgeting and planning process. These personal and organisational attributes are shown below and represented in the first part of the research questionnaire.

Personal factors

Age  
Gender  
Nationality  
Educational  
Occupation

Organisational factors

Type of university  
Number of years in services  
Management level  
Participation in the budgeting  
Participation in planning process

In addition, the results of Pearson correlation will be firstly reported. This is followed by the results of multiple regression analysis.

### **6.2.1 The Relationships between Personal and Organisational Factors and Strategy**

It has been anticipated in the theoretical model of this study that significant associations would be found between personal and organisational factors and strategic dimensions. The results reported in Table 6.1 however, indicate no relationships were found between the personal attributes of the respondents involved in this study and clearness of strategic vision, except a negative association between age and this dimension ( $r=-0.18$ ,  $p < 0.05$ ). This is in fact the case, if one considers the responses of these individuals reported in the preceding chapter. Also, this result seems to be consistent with the suggestion of the research model and the previous accounting and financial studies, such as, Otley (1978) Umpathy (1987) Hoque (1995), and Collins et al (1997).

**Table 6.1:** The Relationships between Personal and Organisational Factors and Strategy

Personal and organisational factors	Strategic vision	
	Correlation coefficients	
	Clearness	Communication
Age	-0.18	0.18
Gender	-.014	0.23
Educational level	-0.09	0.37
Nationality	-0.15	-0.05
Type of the university	-0.22	-0.03
Occupation	0.24	0.35
Management level	0.27	.043
Number of years in service	0.33	0.20
Budget participation	0.01	0.14
Plan setting participation	0.10	0.23

However, the weak relationships between personal attributes and clearness of strategic vision could indicate that this dimension could be affected by other structural and contextual variables, environment, type of technology, organisational structure, etc. This explanation was supported by the results reported in the table regarding the associations between occupation, management level, and number of years in service and the clearness of the strategic vision. The correlations are positive and significant at  $p < 0.05$  and better. These findings are in line with the research model and the previous literature, particularly Schmidt (1992) Hoque (1995), and Fisher et al (2000) as well as UAEESA (1994) and UAEUCD (1995). They indicate that senior officials within UAE universities and colleges are aware and understood the strategic vision, priorities, and objectives of their institutions in comparison with the rest and more junior, financial and administrative staff. They may also be more committed to discovering what strategies exist. This was supported also with the view a DVC who noted that:

*“Practically as it is typical when formulating strategies, mission and goal and objectives this is done normally by University higher authority leaders and then submitted to the Chancellor for endorsement. After the endorsement some committees are established to set up goals and sub goals which are then forwarded to the units to set up action plans.”*

In addition, the interviews conducted with these personnel reveal that they are very much aware of the problems associated with strategic clearness within their institutions. Thus, the key universities and colleges managers think that the lack of clearness of strategic vision and employee participation in formulating and implementing these strategies has seriously affected organisational effectiveness and efficiency. This view is consistent with the Jarratt Report (1985) and Roberston (1993).

However, there seems to be weak relationships between budget participation, planning setting participation and clearness of strategic vision. These results could be due to the lack of employees' participation in formulating strategies noted by the VCs of these institutions during the qualitative interviews. These results are in line with the national studies of UAE conducted by PWE (1987) UAEESA (1994), UAEUCD (1995) and ACRPHE (1996).

Likewise, the theoretical model suggested in the fourth chapter of this thesis, assumes that, there will be significant associations between strategic communication and personal and organisational factors. In examining these assumptions, Table 6.1 reports that, age, gender, and educational level are positively and significantly related to strategic communication. The correlations are 0.18, 0.23 and 0.37 respectively with a significant level of  $p < 0.05$  and better. These results support the assumptions of the research model and the previous accounting literature, particularly, Otley (1985) Hoque (1995), Lehan (1996), and Fisher et al (2000) as well as UAEESA (1994) and UAEUCD (1995). Interviews indicate that senior officials of UAE HEI are aware of the lack of strategic communication among members of staff and that this has created certain difficulties for these institutions in setting plans and programmes accordingly and to gain sufficient funding from the government to meet priorities and objectives effectively. This explanation was supported in interview by VCs and their deputies as well as budget managers within these institutions. These individuals think that bureaucracy, red tape, the highly centralised forms of decision-making and a lack of employee participation in strategy formulation and implementation are the main reasons responsible for these difficulties. However, the table shows a weak relationship between nationality, type of the university and strategy communication.

In contrast to these findings, Table 6.1 reports that, occupation, management levels, number of years in services and planning setting participation are positively and significantly related to strategy communication. The range of the correlation coefficients is in between 0.20 and 0.43 with  $p < 0.05$  significant level and better. These results are in line with the prediction of the theoretical model of this study as well as the previous accounting literature, particularly, Cook (1976), Cropper and Drury (1996) and Collins et al (1997). Accordingly, it can be inferred that high-ranking managers believe that the lack of strategy communication among universities and college staff has affected the strategic performance of these institutions. It is also noteworthy to indicate that the semi-structure interviews with a VC and DVC reported that:

*“There has been an absence of strategic planning and its connection with the resources allocation and budgetary process and subsequent control. This was due to a lack of financial and administrative skills, a lack of employee participation and little awareness of the importance of strategy among the university’s academic and financial staff”.*

In the same vein, this study has taken into consideration the examination of the impact of the two sets of personal and organisational factors on the strategic dimensions of organisational management. In doing so, multiple regression analysis was conducted in order to extract the beta weights of the independent variables to show the major contribution of each independent variable on strategic factors.

In addition, this study has conducted several checks in order to ensure that the conditions for using such a powerful statistical technique are met by the data collected in this study. It is noteworthy that this technique assumes that residuals are approximately uniform in their scatter and that for a relatively small sample like this, they are normally distributed. However, special problems may pertain if the

dependent variables do not have a linear relationship with the independent variables, or if they are highly interdependent (Spurr and Bonaini, 1967; Moskowitz and Wright, 1985).

To sum up, personal and organisational factors as independent variables have been regressed on each dependent variable starting from strategic planning to centralisation. The regression equation has been the following;

$$Y=a+b_1x_1+b_2x_2+b_3x_3+... ..b_{10}x_{10}+e$$

Where as  $x_1$  to  $x_4$  represent personal factors including age, gender, etc.

$x_5$  to  $x_{10}$  represent organisational factors including type of university, occupation, etc.

$Y$  represents the dependent variable starting from clearness of university strategic vision to the last variable of centralisation.

$E$  represents the standard error, which remains unexplained by the above determinants.

Accordingly, Table 6.2 predicts the impact of personal and organisational factors on the strategic variables used in this study. The results show that, educational level, occupation, management level, number of years in service, participation in budgeting and plan setting have a positive and significant impact on the clearness of strategic vision. It is noteworthy to report that, the first five items of strategy vision (Part two of the questionnaire) represent the dependent variable of strategy clearness while, strategy communication has been represented by questions six to eight in the same part.



The range of beta weights for these variables is in between 0.21 and 0.33 with a significant level of  $p < 0.05$  and better. The regression model pertaining to these variable seems to fit and be significant with  $R=0.36$ ,  $R\text{-squared}=0.13$ ,  $F\text{-ratio}=1.296$  and 0.09 significant level. To conclude, organisational factors seem to have a more important impact on the strategic vision than personal attributes of individual involved in this investigation. This is due to the nature of strategy as an institutional decision that needs to be taken in relation to structural and other contextual factors, such as, size, environment, technology, and performance. In addition, the contribution of these variables provides practical evidence in support of the research model and its assumptions in addition to the support given by the views of senior officials within UAE HEI noted during the qualitative interviews.

**Table 6.2:** The Impact of Personal and Organisational Factors on University Strategy

Personal and organisational factors	Strategic vision	
	Clearness	Communication
	Beta weight	Beta weight
Age	0.08	0.22
Gender	0.10	0.19
Educational level	0.33	0.25
Nationality	-0.15	-0.02
Type of the university	-0.8	-.0.01
Occupation	0.21	0.31
Management level	0.25	0.40
Number of years in service	0.28	0.17
Budget participation	0.21	0.09
Plan setting participation	0.26	0.11
R	0.36	0.44
R-Squared	0.13	0.19
F-Ratio	1.296	3.413
Significant Level	0.09	0.007

Following this thought, strategic communication seems to be positively and significantly affected by age, gender, educational level, occupation, management

level, and number of years in services. The beta weights are 0.22, 0.19, 0.25, 0.31, 0.40, and 0.17 respectively with a significant level of  $p < 0.05$  and better. These factors have made the regression model fit and are significant at  $p < 0.007$  with  $R=0.44$  and  $R\text{-squared}=0.19$  and  $F\text{-ratio}=3.413$ . These results support the prediction of the research model and the previous accounting literature, particularly, Otley (1985), Hoque (1995), and Fisher et al (2000). In addition, the contributions of the above personal and organisational factors could indicate that communication of the strategic vision; priorities and objectives are related to the actual managerial attitudes and behaviour. As noted earlier, UAE HEI tends to have a highly centralised decision making strategy function and a consequent lack of employee participation in major decision-making.

#### **6.2.2 Personal and Organisational Factors-Plans and Programmes Relationships**

Consistent with the preceding findings, this thesis has considered three dimensions of plans and programmes including plans and programmes preparation, obtaining and utilising plans and programmes and the reasons for plans-programmes-budget disconnection. In addition, the research model of this study assumes that there will be significant associations between personal and organisational factors and these dimensions. Moreover, three questions were used in part three of the research questionnaire to represent the dependent variable of preparation of plans and programmes alongside three items used in the same part for the obtaining and utilising plans and programmes as the second dependent variable. Finally, eight questions in part three were used to represent the reasons for not linking plans and programmes as the third dependent variable in this query. The items relevant to each main variable representing plans and programmes were aggregated and their general averages were

taken to be used in both correlation and regression analysis. The results of Pearson correlation reported in Table 6.3 show that, age and gender are positively and significantly related with plans and programmes preparation. The correlation coefficients are 0.23 and 0.29 with a significant level of  $p < 0.05$  and better. These findings, which support the assumption of this research, indicate that older male officials within UAE HEI tend to be highly aware and involved in the preparation of plans of these institutions. As was noted by the senior officials and budget managers, these plans and programmes have however, not been taken into consideration in the process of resources allocation conducted by the university and federal organisations such as, MFI. This has resulted in having insufficient financial resources at institution and unit level to meet organisational objectives. These are in line with Roberston (1993), Cropper and Drury (1996), Groves et al (1997) and Pidcock (2001).

In contrast to these findings, Table 6.3 shows that negative correlations were found between educational level, nationality, type of university and the preparation of plans and programmes. The range of the correlations is between -0.15 and -0.34 with a significant level of  $p < 0.05$  or better. These results could mean that highly educated foreign academic staff are not highly involved in the planning process due to the lack of employees' participation and centralisation of financial and administrative decision-making within these institutions. This explanation is supported by the four national studies conducted within UAE universities, such as, PWE (1987) UAEESA (1994), UAEUCD (1995) and ACRPHE (1996). It has also been observed in practice by the researcher.

Table 6.3 shows that positive correlations were found between occupation, management level, number of years in services, budget participation. plan setting

participation and the preparation of plans and programmes. The correlation coefficients are in between 0.18 and 0.51 with a significant level of  $p < 0.05$  and better. These results support the assumptions of the research model and the previous accounting literature, particularly, Otley (1985), Roberston (1993), Collins et al (1997), and Pidcock (2001). They indicate that senior officials within these institutions are highly involved in plans and programmes and their preparation and approval. This view is consistent with the explanations given by universities and college VCs and their deputies during the qualitative interviews. These findings however, have to be accepted with caution since these officials noted that these plans are not considered when allocating financial resources and in the budget preparation.

Consistent with these findings, Table 6.3 shows that gender and nationality are positively and significantly related with the obtaining and utilising plans and programmes. The correlations are 0.32 and 0.65 with a significant level of  $p < 0.01$  and better. This study has also found positive and significant associations between management level, number of years in service, budget participation, and plan setting participation and the obtaining and utilising plans and programmes. These results support the theoretical model of this research as well as the previous literature, such as, Otley (1985), Hoque (1995), Cropper and Drury (1996), and Fisher et al (2000). They can also indicate that senior officials believe that having access to and using plans and programmes can lead to a better deployment of the financial resources assigned by government. However, such an explanation has to be accepted with caution, since these plans currently have no relations with the university strategy and the budgetary process and control. Things thus need to change.

In contrast to these findings, negative correlations were found between obtaining and utilising plans and programmes and occupation and type of the university. The correlations are -0.16 and -0.33 with a significant level of  $p < 0.05$  and better. These results show that universities staff could not have access to use these plans and programmes and relate them with the resource allocation and budgeting process. This is the case within public universities of UAE, which receive their financial resources from the government regardless of any plans and programmes.

**Table: 6.3:** The Relationships between Personal and Organisational Factors and University's Plans and Programmes

Personal and organisational factors	Plans and programmes		
	Correlations coefficients		
	Preparation	Utilising	Reasons
Age	0.23	0.07	0.19
Gender	0.29	0.32	0.15
Educational level	-0.15	-0.14	-0.17
Nationality	-0.34	0.65	0.016
Type of the university	-0.17	-0.16	0.006
Occupation	0.18	-0.33	0.06
Management level	0.25	0.16	0.23
Number of years in service	0.51	0.28	0.16
Budget participation	0.33	0.32	-0.03
Plan setting participation	0.21	0.71	0.41

Similarly, Table 6.3 reports that, age, gender, management level, number of years in services and plan setting participation are positively and significantly related with the reasons for plans-programmes-budget disconnection. The correlations are 0.19, 0.15, 0.23, 0.16, and 0.41 respectively with a significant level of 0.05 and better. These results are consistent with the assumptions of the research model and the previous literature, particularly, Roberston (1993), Collins et al (1997), Groves et al (1997), and, Pidcock (2001). Senior managers are aware of and understood the

reasons for not linking plans, programmes, and strategies with the budgeting system. These include a lack of technical and financial skills among administrative and accounting staff, a lack of realistic data available for plans and budget preparation, high centralisation and a lack of sufficient finance to meet these plans and programmes. Both budget managers and senior officials confirmed these reasons during the qualitative interviews.

In contrast to these findings, Table 6.3 reports that, educational level is negatively and significantly related with the reasons for plans-programmes-budget disconnection ( $r=-0.17$ ,  $p < 0.05$ ). This relationship could mean that less educated managers and officials within these institutions are less aware have a limited understanding of the reasons for the plans-programmes-budget disconnection in comparison with the senior officials and other well-educated managers. This could be due to the lack of employee participation and involvement in strategic and financial decision-making. These officials similarly occupy lower level management jobs. This may have a motivational effect (adverse).

Table 6.3 has shown various weak relationships between nationality and occupation, budget participation, and the reasons for plans-programmes-budget disconnection. These findings do not support the research model and its assumptions or the previous accounting literature, such as, Otley (1985), Umpathy (1987), Hoque (1995), and Fisher et al (2000). It can also be indicated that these reasons could be affected by other contextual variables, such as, size of the university, number of students, environment, structure, etc.

The view of a Planning and Budget Manager is instructive:

*“We do not discuss with the units their draft budget. However, we give them parameters they submit accordingly. We send the parameters it is not a wish list. We say this is your projected enrolment this is what we expect from you. They should submit accordingly. It is not open ended to submit what ever they like. When it is time for distribution depending on what the funds we get then it is time for discussion”.*

Following this line of reasoning, Table 6.4 examines the impact of personal and organisational factors on each variable of plans and programmes by using multiple regression analysis. Accordingly, age, management level, number of years in service, budget participation and planning setting participation have a positive and significant impact on plans and programmes preparation. The beta weight is in between 0.16 and 0.27 with a significant level of  $p < 0.05$  and better. However, nationality, type of the university has a negative impact on plans and programmes preparation. The beta weights is in between 0.15 and 0.32  $p < 0.05$  significant level. To sum up, the regression model for the impact of personal and organisational factors on the plans and programmes seems to be modest. These results are in line with the view of a DVC who noted that:

*“Plans and programmes are effectively prepared by the academic departments. However, these programmes can not be achieved completely due to the shortages of financial resources assigned by the budget committee”.*

This quotation provides an opinion that contextual factors play a significant and important role in determining and drawing effective plans and programmes for these institutions. They include university autonomy, devolution of authority and power, and the ability to generate self income to fund plans and programmes. It shows the lack of relationship between academic plans and financial resources. It thus has a significant implication for delivery of course etc.

Similarly, educational level and nationality have significant negative impacts on the obtaining and utilising plans and programmes. The beta weights are -0.21 and -0.051 respectively with a significant level of  $p < 0.05$  and better.

In the same vein, type of the university, management level, number of years in services, budget participation and plan setting participation have positive and significant impact on obtaining and utilising plans and programmes, the beta weights are in between 0.19 and 0.26 with a significant level of  $p < 0.05$  and better. This indicates that these factors have to be included in drawing certain explanations and conclusions relevant to the university's strategies, plans, and programmes.

In addition, these results generally support the prediction of the research model suggested in this study. Despite this support, the regression model for utilising and obtaining plans and programmes was not significant due to the limited and low values of its indicators. Consistent with these results the limited values of R-square have been the case since universities official have certain difficulties in obtaining and utilising plans and program. As a chancellor of one institution noted:

*“Our plans and programmes have not been fully and completely used due to the absence of a detailed strategic vision existing at the corporate level. It is too challenging to take a vision to the departmental level due to the shortage of funds. Significant challenges face the development of an integrated university plan.”*

As a result, this has limited the university's authority and freedom in deciding its strategy, objectives, priorities plans and programmes. This was further supported by a VC who stated that:

*“We will see what the departments want and what we need, and we come back and compile all of that, but the bottom line we want to see is how much money we can get to implement this. The budget committee has to make tough decisions and these recommendations have to pass*



*the Council. What we think we should do means tough decisions have to be made. This year we are downsizing by 36%, the intake due to insufficient financial resources. We are going to have to return students and turn away 2,500 next fall, because the money needed we have to borrow and we have to make money to pay back to the bank. We have a deficit spending position this year and next year. This is our position plan; this is budgeting planning based on what they have given us. So, I have by the year 2006 to plan a strategy to deal with this growing crisis."*

This suggests that the difficulty of using plans and programmes is due to the other alternative factors such as power and autonomy, financial resources, and high awareness of the financial and administrative staff of the overall context within which planning and budgeting for departments operates in UAE HEI.

Table 6.4 shows that, age, gender and educational level have a positive and significant impact on the reasons for the plans-programmes-budget disconnection. The beta weights are 0.28, 0.50 and 0.20 respectively with a significant level of  $p < 0.05$  and better. These findings confirm and support the prediction of the research model and the previous literature, particularly, Otley (1985), Hoque (1995), and Fisher et al (2000).

In addition, occupation, management level, budget participation, and plan setting participation have positive and significant impact on these reasons. The beta weights were in between 0.17 and 0.31 with a significant level of  $p < 0.05$  and better. The regression model seems to be fit and is significant due to the contributions of personal and organisational factors. Such support to the model prediction could indicate that, despite the effort of senior officials to develop effective strategic plans and programmes, MFI does not provide sufficient financial resources to the these institution in order to meet their strategies, objectives, plans and programmes.

As was noted by the VCs and budget managers, mistrust and conflict between these institutions and central government has been created. As a result, chronic under funding has led to crisis management for UAE HEI. This explanation supports by the earlier findings by PWE (1984, 1987) UAEESA (1994), and ACRPHE (1996). This suggests that little or nothing has changed over time. The problem with this however is that decisions become even more difficult and complex to make and implement due to the compound effect of inertia.

**Table 6.4:** The Impact of Personal and Organisational Factors University's Plans on Programmes

Personal and organisational factors	University's plans and programmes		
	Beta weights		
	Plans and programmes preparation	Obtaining and utilising plans and programmes	Linking plans and programmes
Age	0.19	0.12	0.28
Gender	0.01	0.08	0.50
Educational level	-0.09	-0.21	0.20
Nationality	-0.32	-0.51	0.13
Type of the university	-0.15	0.19	-0.15
Occupation	-.02	-0.13	0.26
Management level	0.23	0.26	0.31
Number of years in service	0.18	0.21	-0.15
Budget participation	0.27	0.25	0.23
Plan setting participation	0.16	0.43	0.17
R	0.37	0.21	0.40
R-Squared	0.14	0.04	0.16
F-Ratio	8.156	0.821	9.379
Significant Level	0.03	0.560	0.004

### 6.3 Personal and Organisational Factors-Budget Relationships

Consistent with the above findings, the present study has assumed that there will be significant associations between personal and organisational characteristics

and the budgetary process. In carrying out the examination of such assumptions, this section is divided into the following parts;

### **6.3.1 Personal and Organisational Factors-Budget Preparation Relationships**

The present study has looked at the process of formulating and implementation of a university's budget. In doing so, several dimensions are considered in each step of the budget including budget preparation constraints, reasons for difficulties in preparing budget, reasons for making unrealistic budget bids, unsuitability of budget forms, and reasons for considering the discussion of budget proposals as a waste of time. Further, budget preparation constraints were represented by seven items in part four of this research questionnaire beside twenty items used for the reasons of the difficulties in budget preparation as a dependent variable. While six items were used to represent each dependent variable of the reasons for unrealistic budget bids and complexity of the budget forms. Finally, the reasons for considering the budget preparation discussion as a waste of time were represented in nine items of the fourth part of this questionnaire as a dependent variable. All the items representing each main dependent variable in part four of the research questionnaire-namely budget preparation, were aggregated and their averages were used in the regression and correlations runs. These variables will be examined with regard to the personal and organisational factors of the sample involved in this study. In addition, Pearson correlation and multiple regression analysis are used in reporting and presenting the findings relevant to these associations.

### **6.3.2 Personal and Organisational Factors-Budget Preparation Constraints**

Table 6.5 reports that there are some significant and positive relationships between budget constraints and personal and organisational factors, such as, age,

management level, number of years in services and plan setting participation. The range of the correlation coefficients is between 0.20 and 0.27 with a significant level of  $p < 0.05$ . These findings seem to support the personal-organisational-budget preparation links suggested in the research model of this study as well as the previous accounting literature, particularly, Lee (1992), CIPFA (1997a), Fisher et al (2000), and Tayib and Hussin (2003). In addition, these findings indicate that, senior managers and universities and colleges' officials are highly aware of the budget preparation constraints including power struggles, inadequacy of the financial data required for budget preparation, lack of competence among financial staff and centralisation of decision-making.

**Table 6.5:** The Relationships between Personal and Organisational Factors and Budget Preparation Constraints

Personal and organisational factors	Budget preparation constraints
	Correlation coefficients
Age	0.20
Gender	0.04
Educational level	-0.03
Nationality	0.08
Type of the university	0.009
Occupation	0.008
Management level	0.23
Number of years in service	0.23
Budget participation	0.11
Plan setting participation	0.27

This tentative explanation could be the case if one considers the results of PWE (1984, 1987), UAEESA (1994), ACRPHE (1996) and the view of a Director of Finance and Administration who stated:

*This is the only place I have ever been where we do not do the budget until after the start of the year to which the budget applies. That is unusual. I do not think it is possible for us to start budgeting earlier*

*because we do not know the bases on which to make our request. By the time we get information on student enrolment get it to MFI and they respond to us we are already after January. The budget year has thus already commenced.*

In addition, many weak relationships were reported between the budget preparation constraints, gender, educational level, type of the university, occupation, and budget participation. These findings do not support the research model and the previous literature, particularly, Hoque (1995), CIPFA (1997a), and Fisher et al (2000). The weak relationships are probably due to the nature of these constraints as well as the impact of other alternative factors not included in this study, such as, sources of power, flexibility, centralisation, culture and structure of the organisation.

### **6.3.3 Personal and Organisational Factors-Difficulties in Budget Preparation**

In the same spirit, this study has considered four main reasons for difficulties in preparing the budget including managerial, strategic, legal and other factors. The results of the relationships between these reasons and personal and organisational factors are reported in Table 6.6.

As can be seen from this table, that age, occupation, budget participation and planning setting participation are positively and significantly related with the strategic reasons for the difficulties in budget preparation. The range of the correlations is in between 0.19 and 0.41 with a significant level of  $p < 0.05$  and better. Accordingly, it can be indicated that senior officials within UAE HEI are aware and understood the strategic reasons for difficulties in budget preparation including the absence of a clear university strategy.

In addition, these results support the research model and certain accounting studies, such as, Otley (1978), Hoque (1995), and CIPFA (1997b). They are also

consistent with the universities and colleges' VC spoken views relevant to the lack of strategy-budget connection. However, a negative correlation was found between management level and strategic reasons ( $r=-36$ ,  $p < 0.01$ ). This result seems to indicate that lower level managers have less awareness and understanding of the strategic reasons for the difficulties in budget preparation since they are not actively involved in taking such types of decisions. This is in fact true, if one considers the views of the senior official reported in the preceding chapter of this thesis.

**Table 6.6:** The Relationships between Personal and Organisational Factors and Reasons for Difficulties in Preparing Unit budgets

Personal and organisational factors	Reasons for difficulties in preparing university's budget			
	Correlation coefficients			
	Strategic	Managerial	Legal	Others
Age	0.19	0.21	0.18	0.20
Gender	0.04	0.08	0.14	0.11
Educational level	-0.02	-0.09	0.01	-0.09
Nationality	0.13	0.23	0.10	0.12
Type of the university	0.05	0.40	0.40	0.009
Occupation	0.15	0.11	0.13	-0.10
Management level	-0.36	0.36	0.14	-.07
Number of years in service	0.009	0.19	0.16	-0.05
Budget participation	0.20	0.23	0.11	0.04
Plan setting participation	0.33	0.41	0.07	0.56

Similarly, age and nationality are the only personal factors, which have a significant and positive relationship with the managerial reasons for the difficulties in budget preparation. This means that senior managers are highly aware of the managerial difficulties in budget preparation, lack of administration interest in budget preparation, absence of participation and co-ordination between financial, administrative and academic departments in preparing budget. Additionally, significant and positive relationships were found between the type of the university,

management level, number of years in services and managerial reasons. These relationships mean that senior managers and section heads with long service would be aware of the managerial reasons for the difficulties in preparing budgets in comparison with other university's staff. The above relationships seem to be consistent and supportive to the assumptions of the theoretical model of this thesis and the previous accounting literature, particularly, Chenhall and Brownell (1988), Murray (1990), Hoque (1995), and Fisher et al (2000).

Likewise, Table 6.6 indicates that legal reasons are positively and significantly related with age, type of the university and number of years in services. The correlations are, 0.18, 0.40 and 0.16 respectively with a significant level of  $p < 0.05$ . This means that senior managers are highly aware of the legal impediments for the difficulties in budget preparation within UAE HEI. These findings are in line with the assumptions of the research model of this study and the previous accounting literature, particularly, Hoque (1995), and CIPFA (1997a). However, several weak relationships were reported between these reasons and gender, educational level, nationality, number of management level, and budget participation. These results are in line with the view of a Planning and Budget Manager who noted that:

*"We use the chapters and lines provided by the federal government. Also internally, we have sometimes divided our budget into subdivisions. We have projects to track our cost and manage our plans. We communicate with the Ministry by following their format of line division and chapters. We use our bylaws when we have it in our system so we break the budget down in to further divisions, cost centres and projects".*

In contrast, positive and significant relationships were found between age, plan setting participation and other reasons for the difficulties in budget preparation. These reasons include the absence of an effective automated system for budget

preparation, lack of awareness of the importance of budget preparation, insufficient time allocated to the budget preparation process and absence of incentives to promote good budgeting practice. The correlations are 0.20 and 0.56 with a significant level of  $p < 0.05$  and better. These reasons are thoroughly discussed by the Planning and Budget Manager during interview when she explained:

*“One of the problems we have encountered is we have to plan for the financial year but the actual enrolment we get is September. We have to submit our budget much earlier so this gives us some delay. Also the main problem that we have is when we hire staff for the start of the new academic year which starts by September then we have to cost the cost of staff just from September to December and the following year it will become a committed annual cost”.*

Therefore, these reasons seem to have an important impact on the quality of preparing budgets within these institutions.

#### **6.3.4 Personal and Organisational Factors-Realistic of Budget Bids and Fitness of Budget Forms**

Consistent with this thought, Table 6.7 reports the results of Pearson correlation regarding the relationships between personal and organisational factors and the reasons for making unrealistic budget bids and unsuitable of budget forms. It is noteworthy to indicate that the theoretical model suggested in this research assumes significant associations among these variables. In this respect, this study has found positive and significant correlations between age, type of the university, occupation and the reasons for unrealistic budget preparation. The range of these correlations is in between 0.15 and 0.23 with a significant level of  $p < 0.05$ . These results support the prediction of the research model and the previous literature, particularly, Kren (1992), Hoque (1995), and Collins et al (1997). They indicate that, senior managers are highly aware of the reasons for unrealistic budget bids, such as, the absence of long-term



plans, over inflated budgets, etc. In addition, the views of budget managers reported in the preceding chapter support these results.

Similarly, Table 6.7 shows that management level, number of years in service, budget participation and plan setting participation are positively and significantly related with the reasons for preparing unrealistic budget bids. The correlations are 0.39, 0.21, 0.31, and 0.28 respectively. These findings are in line with the model predictions and the views of the budget managers pertaining to these reasons. However, negative correlations were reported between educational level, occupation and the reasons for unrealistic budget bids. The correlations are -0.18 and -0.17 with a significant level of  $p < 0.05$ . These results indicate that less well qualified personnel within these institutions are unaware of the reasons which cause difficulties in budget preparation. They occupy lower managerial positions.

**Table 6.7: The Relationships between Personal and Organisational Factors and Reasons for Unrealistic Budget Bids and Unfitness of Budget Forms**

Personal and organisational factors	Reasons for unrealistic budget bids and unfit budget forms	
	Correlation coefficients	
	Unrealistic budget bids	Unfit budget forms
Age	0.15	0.22
Gender	0.11	0.16
Educational level	-0.18	-0.13
Nationality	0.19	0.04
Type of the university	0.23	0.16
Occupation	-0.17	-0.02
Management level	0.39	0.06
Number of years in service	0.21	0.31
Budget participation	0.31	0.19
Plan setting participation	0.28	0.32

Consistent with the preceding thought, Table 6.7 reports that age, gender, and type of the university are positively and significantly related with the reasons for

unsuitable budget preparation forms. The correlations are 0.22, 0.16 and 0.16 respectively. These results indicate that while senior managers perceive and understand the reasons for using complicated budget preparation forms. They recognise them as being difficult to complete. As was indicated by the budget managers during the qualitative interviews, these forms are complicated, difficult to understand and inconsistent within the universities and colleges. These results support the view of Hope and Fraser (1997), Pidcock (2001) and Tayib and Hussin (2003), regarding the lack of the flexibility of budget forms and their connections with the university's strategy. Similarly, positive and significant relationships were found between number of years in services, budget participation, planning setting participation and the reasons for unrealistic budget preparation forms. The correlations are 0.31, 0.19 and 0.32 respectively. These results confirm the views of the budget managers relevant to the problems of completing these budget forms as well as the assumptions of the research model of this study.

### **6.3.5 Personal and Organisational Factors-Budget Preparation Discussion**

Table 6.8 reports that positive and significant relationships were found between gender, educational level, and the type of the university and consideration of budget preparation discussion as a waste of time. The correlations are 0.19, 0.18, and 0.19 respectively with a significant level of  $p < 0.05$ . These results support the research model and the views of the budget managers related to the limitation of such discussion in adjusting prepared budgets. Also, occupation, management level, number of year in services, and plan setting participation are positively and significantly related with the consideration of budget preparation discussion as a

waste of time. The range of the correlations is between 0.23 and 0.33 with a significant level of  $p < 0.05$  and better.

Similarly, Table 6.8 reports that positive and significant relationships were found between age ( $r=0.33$ ), management level ( $r=0.31$ ), plan setting participation ( $r=0.27$ ) and reasons for considering discussion as a waste of time. These connections could possibly indicate that older senior managers are highly aware of and understood the reasons for considering budget discussions as a waste of time, such as, a lack of authority and power to decide the budget, the disconnection between plans and programmes with budgets and a lack of competence among financial and administrative staff responsible for budget preparation.

In addition, the interviews conducted by the researcher with the senior managers of the universities and colleges indicate that the lack of employee participation and involvement in decision-making as well as high centralisation and bureaucratisation could be the reasons currently for considering budget discussion as a waste of time. They did however believe that such discussion should be more meaningful. These results seem to support the research model and its assumptions. They are also in line with the previous two national financial studies, such as, PWE (1987), UAEESA (1994) and ACRPHE (1996) and even earlier literature as Argyris (1977).

**Table 6.8: The Relationships between Personal and Organisational Factors and Reasons for Considering Budget Discussion is a Waste of Time**

Personal and organisational factors	Budget preparation discussion	
	Correlation coefficients	
	Budget discussion	Reasons for discussion
Age	0.10	0.33
Gender	0.19	-0.16
Educational level	0.18	-0.13
Nationality	-0.14	-0.20
Type of the university	0.19	0.09
Occupation	0.28	0.01
Management level	0.30	0.31
Number of years in service	0.33	-0.18
Budget participation	0.09	0.05
Plan setting participation	0.23	0.27

On the other hand, negative correlations were found between gender, educational level, nationality, and number of years in services and reasons for considering budget discussion as a waste of time. The range of the correlation is in between -0.16 and -0.20 with a significant level of  $p < 0.05$ . These findings could indicate that senior managers and section heads who have limited or only a few years of service would not be highly aware of the reasons for considering budget preparation discussion as a waste of time. In addition, the interviews conducted with the Finance Director and Budget Controller indicated that:

*“They believe that discussing the budget proposal with the financial staff and departmental heads could lead to better performance despite the lack of power and authority of their units to get sufficient financial resources. They also believe that the top management of the institution should encourage financial and administrative staff to carry on such discussion and allow them to express their ideas to adjust the budget figures and eventually improve the effectiveness and efficiency of their units”.*

### **6.3.6 The Impact of Personal and Organisational Factors on the Budget Preparation Process**

Following the above analysis, the present study has conducted several multiple analysis runs to examine the impact of personal and organisational factors on the dimension of budget preparation. Accordingly, Table 6.9 reports that age, gender, nationality, number of years in services and plan setting participation are among the personal and organisational characteristics that have a significant and positive impact on the strategic reasons for difficulties in budget preparation. The beta weights are in between 0.22 and 0.81 with a significant level of  $p < 0.05$  and better. These results support the prediction of the theoretical model of this study and the previous accounting literature, such as, Roberston (1993), Hoque (1995), Groves et al (1997), and Pidcock (2001). They also confirm the views of the key universities and colleges' personnel pertaining to the disconnection of strategy-budget and resources allocation.

Despite these significant contributions, the regression model is not a reasonably fit. This is due to the limited impact of studied factors on the strategic reasons for the difficulties in budget preparation. Alternatively, these reasons are subject to the influence of other factors such as the missing link between strategic planning and resources allocation. This tentative conclusion was supported by a VC who commented that:

*“MFI does not acknowledge our plans and programmes in the initial allocation of resources. So it is impossible to connect strategic plans to the budget”.*

This was supported further by a Director of Finance and Administration who noted that:

*“It is our target to improve the link between strategic planning and our budgetary system. This is depending on what money we get from the Ministry. Then we apply what we get to these programmes”.*

Table 6.9 however, reports that, only age and gender seem to have a positive and significant impact on the legal reasons for the difficulties in budget preparation. The beta weights are 0.24 and 0.19 with a significant level of  $p < 0.05$  and better. The findings also indicate that, senior managers are highly aware of the lack of understanding of financial laws and regulations produced by financial staff, probably since the majority of them are foreigners. Budget managers have also confirmed this explanation during the qualitative interviews.

Table 6.9 also shows that age, gender, and budget participation have a positive and significant impact on the other reasons for the difficulties in budget preparation, such as, the absence of an automated system and insufficient time allocated for budget preparation. The beta weights are 0.28, 0.15, and 0.16 with a significant level of  $p < 0.05$  and better. In addition, the regression model is not significant due to the limited contributions of personal and organisational factors given the low values of the indicators.

This comment suggests that other factors have important roles in determining the strategic, managerial, legal, and other reasons for difficulties in budget preparation, such as ineffective financial and technical training for university staff, a limited perception of the importance of a strategic vision and poor planning and resource allocation.

**Table 6.9: The Impact of Personal and Organisational Factors on the Reasons for Difficulties in Preparing University's Budget**

Personal and organisational factors	Reasons for difficulties in preparing university's			
	Beta weights			
	Strategic	Managerial	Legal	Others
Age	0.22	0.25	0.24	0.28
Gender	0.56	0.16	0.19	0.15
Educational level	-0.04	-0.16	-0.03	-0.14
Nationality	0.81	0.06	-0.04	0.12
Type of the university	-0.003	0.09	0.10	0.02
Occupation	0.12	0.007	0.12	0.04
Management level	0.9	0.31	-0.06	-0.11
Number of years in service	-0.29	0.26	0.009	-0.04
Budget participation	0.08	0.51	0.04	0.16
Plan setting participation	0.25	0.22	0.11	0.09
R	0.27	0.30	0.31	0.35
R-Squared	0.07	0.09	0.10	0.12
F-Ratio	0.838	1.747	1.097	1.408
Significant level	0.595	0.117	0.371	0.187

Table 6.10 shows that, age, occupation, management level, budget participation, and plan setting participation have a positive and significant impact on the budget preparation constraints. The beta weights are 0.23, 0.22, 0.31, 0.15, 0.18, and 0.23 respectively with a significant level of  $p < 0.05$  and better. These results are in line with the predictions of the research model and the views of the senior managers regarding the awareness and understanding of these constraints. These managers believe that power struggles, the lack of reliable financial data, high centralisation, and lack of employee participation have caused severe difficulties in budget preparation within UAE HEI. PWE (1994, 1987) UAEESA (1994), UAEUCD (1995) and ACRPHE (1996) studies of HEI in UAE have also confirmed these views.

Similarly, Table 6.10 shows that only age, management level and budget participation have a positive significant impact on the reasons for unrealistic budget

bids, such as budget inflation, absence of the link between long and short-term plans and programmes and budget, and unfair resource distribution methods. The beta weights are 0.19, 0.27, and 0.29 respectively with a significant level of  $p < 0.05$  and better. However, the regression model is not significant due to the low contributions of personal and organisational factors on these reasons. As was stated by the budget managers of these institutions, the major problems facing them have been concerned with the lack of a connection between plans, strategies and resources allocation. As a result, the budget preparation process is seen as being unrealistic with related resources based on unfairness in the resource distribution methods. These problems were also found in the PWE (1984, 1987) UAEESA (1994), UAEUCD (1995) and ACRPHE (1996) studies of HEI in UAE.

In the same spirit, Table 6.10 reports that, age, gender, type of the university, and plan setting participation seem to have positive and significant impact on the reasons for using unfit budget preparation forms, for reason such as, complexity, lack of connection between plans, programmes and budget figures associate with these forms, etc. The beta weights are 0.31, 0.28, 0.20 and 0.23 respectively with  $p < 0.05$  significant level and better. These results support the views of the budget managers that the lack of understanding of the budget forms has seriously affected the budgeting process. This view was supported by a Planning and budget Manager who stated that:

*"Sometimes, we send the units specific forms. They chose to submit attachments of different things and some times while we say please don't submit programme requirements for example because this is done through academic services they still submit it. You find a lot of duplication and you have to sort out this duplication. It is very frustrating and time consuming".*



**Table 6.10: The Impact of Personal and Organisational Factors on the Budget Preparation Variables**

Personal and organisational factors	University's budget preparation factors			
	Beta weights			
	Budget preparation constraints	Unrealistic budget bids	Unfitness of budget forms	Discussion as a waste of time
Age	0.23	0.19	0.31	0.50
Gender	0.09	0.06	0.28	0.38
Educational level	-0.10	-0.15	0.05	-0.22
Nationality	0.07	0.009	-0.17	-0.35
Type of the university	0.009	0.05	0.20	-0.05
Occupation	0.22	0.08	0.03	-0.54
Management level	0.31	0.27	0.12	-0.03
Number of years in service	0.15	-0.05	-0.09	-0.40
Budget participation	0.18	0.29	0.13	-0.10
Plan setting participation	0.23	0.12	0.23	0.46
R	0.25	0.24	0.36	0.28
R-Squared	0.06	0.06	0.13	0.07
F-Ratio	1.511	0.650	1.512	1.621
Significant Level	0.130	0.764	0.146	0.156

Table 6.10 shows the effect of age, gender, educational level, nationality, type of the university, occupation, number of years in services and plan setting participation on the consideration of any budget preparation discussion as a waste of time. The range of beta weights is in between 0.22 and 0.54 with a significant level of  $p < 0.05$  and better. In addition, the regression model seems to be inconsistent and not significant with  $R=0.28$ ,  $R\text{-squared}=0.07$  and  $F\text{-ratio}=1.621$ . These results support the views of both universities and colleges officials and budget managers that there has been no point conducting a thorough discussion and making adjustments to the budget prepared, since ultimately the MFI does not take these adjusted budgets into consideration.

To sum up, there seems to be very low R- square with regard to the impact of personal and organisational factor on budget preparation constraints, unrealistic budget preparation, and unsuitable of budget forms. This is also the case if one considers the budgetary planning and control processes which are affected by many managerial and contextual factors other than those involved in this analysis. For instance, the managerial and financial skills required in preparing an efficient budget, autonomy and the control mechanism used by the federal government to support financially education strategies and policies. To support this tentative conclusion, a Assistance General Security for Financial Affairs has noted that:

*“The total value of the budget discussed in the budgeting committee has had numerous enforced changes with large reductions. This is so that it can be more acceptable to MFI”*

On the other hand, a Director of Finance Department stated:

*“Even though the units may prepare realistic budgets according to their actual need, we always impose high pressure on them to modify it. However, we are certain that the MFI will not approve our realistic budget. Therefore, we use an incremental approach to boost our budget. As a result, we may receive a reasonable budget. In 1995 we agreed with the MFI to submit a realistic budget that reflects our actual requirements. In the primary discussion we agreed on every item specified in each budget section. The total amount agreed was 340 millions. We however, got a shock when we received 165 millions. This certainly caused significant mistrust of MFI and its motives.”*

### **6.3.7 Personal and Organisational Factors-Budget Allocation Relationships**

Following the preceding findings, this section will report the correlation results relevant to the relationships between personal and organisational factors and dimensions of budget allocation within UAE HEI. In addition, the impact of personal and organisational factors on budget allocation will also be reported by using multiple regression analysis.

It can also be indicated that, fourteen items were used to represent the dependent variable of budget allocation methods. Five reasons for insufficient financial resources being allocated to a unit's budget were used to examine the second dependent variable in part five of this research questionnaire-namely-budget allocation. Also, six items represented the reasons for unfairness of budget allocation as a dependent variable. All the items used to represent each main variable of budget allocation were aggregated and their averages were taken to be used in correlations and regression runs.

### **6.3.8 Personal and Organisational Factors-Budget Allocation Methods**

According to the theoretical model of this study, significant associations between organisational and personal factors and budget allocation dimensions are expected. In this respect, Table 6.11 shows that, age, gender and nationality are positively related with budget allocation methods, such as, top-slicing and incremental approaches. The correlation is 0.24 for each variable with a significant level of  $p < 0.05$ . These results are in line with the predictions of the theoretical model suggested in this study and the previous accounting literature, particularly, Campbell (1985), Grifel (1993), Hoque (1995), Abernathy (1996), and Fisher et al (2000). These studies found significant relationships between the variables of interest in this section. The detailed results show senior foreign managers tend to use traditional methods of budget allocation, particularly a top-slicing approach. In addition, the interviews conducted with the budget manager and senior officials of these institutions indicate that, this approach represents a fair reflection of events in the budget process in their institutions.

**Table 6.11: The Relationships between Personal and Organisational Factors and Budget Allocation Dimensions**

Personal and organisational factors	Budget allocation variables	
	Correlation coefficients	
	Budget allocation methods	Insufficient resources
Age	0.24	0.06
Gender	0.24	0.09
Educational level	0.13	-0.14
Nationality	0.24	0.71
Type of the university	0.13	-0.05
Occupation	-0.11	0.76
Management level	0.19	0.28
Number of years in service	0.28	-0.19
Budget participation	-0.23	-0.11
Plan setting participation	-0.27	0.39

Similarly, Table 6.11 reports significant positive relationships between management levels, number of years in services and budget allocation methods. The correlations are 0.19 and 0.28 respectively with a significant level of  $p < 0.05$  and better. These results could indicate that, budget managers and senior officials prefer to use traditional budget allocation methods since they are relatively simple, easy to understand and used by financial and administrative staff within these institutions. This finding may also cross relate to the views on training needed in these institutions. Tried and trusted methods are used as there is no recognition of a need to change. The managers may also see little point in change given the relationship between the university and MFI discussed earlier.

However, negative relationships were reported between budget participation, plan setting participation and budget allocation methods. The correlations are -0.23 and -0.27 respectively. Although these results support the theoretical model of this thesis, they are not supported by the previous literature, such as, Mia (1989), Kren (1992), Hoque (1995), Dunk and Lysons (1997). These studies indicated that, budget

allocation could successfully be achieved through employee participation in the budget and financial planning processes of organisations. These negative results could possibly be due to cultural factors and the high centralisation of decision-making within UAE HEI. This could be the case in this study, if one considers the views of budget managers and senior officials who suggested that strategic and policy decisions such as those involved in this research have to be solely taken by the central administration in these institutions. It also may indicate a lack of confidence in their abilities possibly through inadequate training.

#### **6.3.9 Personal and Organisational Factors-Reasons for Insufficient Resource Allocation**

Likewise, the above table shows that, nationality, occupation, management level and plan setting participation are positively and significantly related with the reasons for not allocating sufficient financial resources to the units and departments of UAE universities and colleges. The correlations are 0.71, 0.76, 0.28 and 0.39 respectively with a significant level of  $p < 0.01$  and better. These results are in line with the assumptions of the research model as well as previous accounting literature, particularly, Cutt et al (1993), Horsch (1995), and CIPFA (1997a) as well as PWE (1987), UAEESA (1994), ACRPHE (1996). The last three studies provide practical evidence regarding inadequate financial resources allocated to public university and college within UAE HEI. In addition, these findings are supported by the views of the budget managers and senior universities and college officials reported in the preceding chapter. They refer to the lack of strategy-plans-budget connection, power struggles and a lack of authority to allocate resources as the main reasons for the chronic under funding problems facing their units.

However, number of years in services was found to be negatively and significantly related with the reasons for insufficient financial resources ( $r=-0.19$ ,  $p < 0.05$ ). This result could mean that, senior managers with relative short-term service within UAE HEI are not fully aware of the reasons for insufficient financial resources. This could be due to the use of temporary and short-term recruitment policies by these institutions to employee foreigners within those sections and departments where the respondents were in this category.

### **6.3.10 The Impact of Personal and Organisational Factors on Budget Allocation Dimensions**

In order to examine the impact of personal and organisational factors on the budget allocation dimensions, multiple regression analysis was conducted and the results are reported in Table 6.12. As can be seen from this table, nationality, management level, number of years in services, budget participation and plan setting participation seem to have a positive and significant impact on the methods used in budget allocation. The range for the beta weights for these determinants is in between 0.22 and 0.39 with a significant level of  $p < 0.05$  and better. However, the regression model is not significant due to the limited contribution of the personal attributes and the low values of indicators. These findings suggest that, senior officials and budget managers within UAE HEI use top-slicing and incremental approaches in comparison with sophisticated resources allocation technique such as, ZBB PPBS, etc. These institutions use traditional approaches for resources allocation under the financial laws and regulations by MFI as was indicated by a Planning and Budget Manager who stated that:

*“We have the Ministry and federal laws which require line by line budgeting within named chapters. We have developed our own cost centres but this has no effect on the method used”.*

In addition, PWE (1987) UAEESA (1994) UAEUCD (1995) and ACRPHE (1996) have confirmed the deployment of these approaches within HEI of UAE.

**Table 6.12:** The Impact of Personal and Organisational Factors on Budget Allocation Dimensions

Personal and organisational factors	Budget allocation variables	
	Beta weights	
	Budget allocation methods	Insufficient resources
Age	0.12	0.23
Gender	0.10	0.22
Educational level	0.06	-0.20
Nationality	0.24	-0.05
Type of the university	-.017	-0.002
Occupation	0.03	-0.01
Management level	0.22	0.004
Number of years in service	0.32	0.44
Budget participation	0.23	0.31
Plan setting participation	0.39	0.34
R	0.30	0.56
R-Squared	0.09	0.31
F-Ratio	1.058	6.761
Significant level	0.401	0.009

Similarly, the majority of these latter variables have either a positive or negative impact on the reasons for insufficient financial resources, except nationality, type of the university and management level. The range of the beta weights is in between 0.20 and 0.44 with a significant level of  $p < 0.05$  and better. In addition, the regression model is significant due to the overwhelming impact of personal and organisational factors as well as the values of its indicators. These results could indicate that senior managers are highly aware of the reasons for insufficient financial resources allocated to their units. PWE (1987), UAEESA (1994), UAEUCD (1995) and ACRPHE (1996) also confirmed this explanation. These studies diagnosed the lack of a strategy-budget connection, lack of power and authority and high

centralisation as the main reasons for such under funding problems. Again this is consistent with the findings of this research.

In brief R-square seems to be reasonably significant with regard to insufficient resources. However, this is not the case with regard to the budget allocation dimension. The budget allocation method for example is procedures used by the university budget committees to allocate financial resources through the deployment of classical methods in assigning resources regardless of personal and contextual factors. In support of this explanation, a VC noted that:

*“The problem is that, the Budget Department and the University does not have advanced knowledge and expectations of the budget allocation. We hope that the financial resources will be allocated by MFI on the bases of student numbers or the educational and training programmes and plans we produce. Hence, we utilize annual planning not a strategic planning recognised for ten years. This is because the university has no freedom or autonomy in determining its financial requirements.”*

To support this view a DVC mentioned that:

*“The Budget Department suggests a distribution of the budget based on actual expenditures of the previous years. This is certainly wrong when taking into consideration strategic planning. However, when you receive a budget with 30% to 35% less than you expected (from MFI), you have to tighten up and reduce the amounts specified for each unit within the university. This is done by using very rigorous approaches to distribute the budget among the units”*

Further, an Executive Director for Finance and administration of one university commented that:

*“I have been flexible with my instructions, allowing people to put together an estimate of what is required. During the year, we will follow up to see how close they are to what they estimate. Otherwise, the budget essentially, is not zero-based budget. This means that, we do not go back to justify all the activities for the new budget. This year we looked at what we had last year and built on it”.*



These comments support the view that UAE HEI mainly uses an incremental approach in assigning financial resources to their units and departments consistent with the federal government method.

### **6.3.11 Personal and Organisational Factors-Budget Implementation Relationships**

In examining the relationships between personal and organisational factors and budget implementation, the present study has considered several variables including the impact of budget implementation, the reasons for spending the entire budget in a short period by the end of financial year, the reasons for purchasing university's requirements in short period and methods of improving budget implementation.

These variables were included in part six of the research's questionnaire-namely-budget implementation. Accordingly, seven items were used to represent factors affecting budget implementation as dependent variable beside five questions used to deal with the reasons for spending budget surplus at the end of the year. Also, thirteen questions were used to represent the reasons for purchasing a university's requirements in a short period. Finally, eight items represent the ways of improving budget implementation as dependent variable. Moreover, all the items measuring each main variable of budget implementation were aggregated and their averages were used in further analysis. This research has conducted Pearson correlation and regression analysis in examining the relationships and the impact of the personal and organisational factors on the budget implementation process and the results are reported in the following sections.

### **6.3.12 The Relationships between Personal-Organisational Factors and Budget Implementation**

Table 6.13 reports that, age and educational level are positively and significantly related with the factors affecting budget implementation, such as the absence of effective inspection, lack of connection and approval of plans-budget implementation, inadequacy of financial resources, etc. The correlation are 0.28 and 0.16 with  $p < 0.05$  significant level or better. These results support the predictions of the research model and its objectives as well as the views of the universities officials and budget managers noted during the semi-structured interviews. They are also supported by the previous accounting literature, such as, and Pidcock (2001), Hoque (1995), Groves et al (1997), CIPFA (1997a) who indicated that; behavioural and organisational factors have a substantial impact on the process of budget implementation and its associations with strategy, plans and programmes of the organisations.

In addition, UAEESA (1994), UAEUCD (1995), and ACRPHE (1996) state that; the lack of a strategy-budget connection is an important reason affecting budget implementation of HEI of UAE. However, gender and budget participation is negatively and significantly related with the factors affecting budget implementation. The correlation coefficient is -0.18 for each variable. These findings could indicate that, senior managers of these institutions have only low awareness of the factors affecting budget implementation. This is however, not the case within UAE HEI since at interview officials admitted that ineffective budget implementation is due to reasons associated with the budgetary process and control exercised by the senior management in the centre.

Likewise, Table 6.13 reports that, gender; nationality, occupation, and plan setting participation were positively and significantly related with the reasons for spending the entire budget by the end of the year. The correlations are 0.20, 0.17, 0.41 and 0.72 respectively with a significant level of  $p < 0.05$  and better. These findings appear to support the theoretical model of this thesis and confirm the view of the budget managers that, financial allowances have to be completely spent during the fiscal year. This is due to managerial requirements that no financial resources are to be sent back to the MFI. These views were also supported by the three studies conducted within HEI of UAE, such as, PWE (1987), UAEESA (1994) and ACRPHE (1996). These studies found that these institutions are suffering from a lack of financial resources needed to meet learning and teaching programmes and other necessary requirements and that they are very keen to spend the entire budget by the end of the year despite the delays in budget approval by MFI. This again is supported by the interviews.

**Table 6.13: The Relationships between Personal and Organisational Factors and Budget Implementation Dimensions**

Personal and organisational factors	Budget implementation variables			
	Correlation coefficients			
	Impact of budget Implementation	Spending entire budget	Purchasing in short period	Methods of improvement
Age	0.28	0.06	0.03	-0.10
Gender	-.18	0.20	0.13	0.21
Educational level	0.16	-0.06	-0.07	0.003
Nationality	-0.02	0.17	0.03	0.14
Type of the university	0.11	0.007	0.04	0.15
Occupation	0.09	0.41	0.25	0.29
Management level	0.23	0.11	0.01	-0.15
Number of years in service	-0.05	-0.25	-0.10	-0.04
Budget participation	-.18	0.07	0.04	-0.10
Plan setting participation	0.02	0.72	-0.009	0.15

Number of year in services was negatively and significantly related with the reasons for spending the entire budget in a short time ( $r=-0.25$ ,  $p < 0.05$ ). This result could possibly suggest that, manager with limited work experience and tenure may not be aware of the reasons for an importance of spending the entire budget by the end of the year.

None of the personal and organisational factors seem to have any relationships with the reasons for purchasing universities and colleges' requirement in short-time, except occupation. The correlation for this latter variable is 0.25 with a significant level of  $p < 0.05$ . These findings mean that there could be other alternative factors that relate with these reasons other than the factors of interest in this study, such as, external environment, sources of power and authority, cultural factors, managerial procedures, co-ordination and control mechanism, etc. These findings do not support the theoretical model of this thesis and the previous accounting literature, such as, Hoque (1995), Otley (1985) and CIPFA (1997b).

Finally, Table 6.13 indicates that, gender, type of the university, occupation and plan setting participation were positively and significantly related with the methods of improving budget implementation, such as, adopting unit's annual plans and, linking plans and programmes with objectives and resources allocation, and developing strategies, plans and programmes and resource allocation. The correlations are 0.21, 0.15, 0.29 and 0.15 respectively with significant level of  $p < 0.05$  and better. These findings are in line with the assumptions of the research model and its objectives as well as the previous accounting literature, such as, Roberston (1993), Clarke (1997), Collins et al (1997), Groves et al (1997), and Pidcock (2001). They are also consistent with the methods of improving budget implementation suggested by

the three practical studies conducted within HEI of UAE, such as, PWE (1987), UAEUCD (1995) and ACRPHE (1996).

However, a negative relationship was found between management levels and methods of improving budget implementation ( $r=-0.15$ ,  $P < 0.05$ ). This result could possibly indicate that certain managers within these institutions are not fully aware of methods of improving budget implementation due to the lack of technical financial skills and knowledge. This has potential training implications.

### **6.3.13 The Impact of Personal-Organisational Factors on Budget Implementation**

In examining the impact of personal and organisational factors on the budget implementation process, Table 6.14 reports that, only age, educational level and nationality have either a positive or negative impact on the factors affecting budget implementation. The beta weights are 0.21, -0.15, and -0.18 respectively with a significant level of  $p < 0.05$ . However, the regression model seems to be not significant due to the limited contributions of both personal and organisational factors. However, a DVC interviewed stated that:

*“I would rather judge the units through their accomplishment and outcomes even though it is not always possible. This because the heads allocate the budget according to their perception of a unit’s needs and not according to their plans and programmes. This is because the financial picture is not clear. This is because plans are established in August or September the budget arrives however, in April of next year. We always work on the previous year”.*

On the other hand, Table 6.14 shows that, age, gender, occupation, number of years in services, budget participation, and plan setting participation have a positive and significant influence on the reasons for spending the entire budget in short period of the year. The beta weights are in between 0.16 and 0.34 with a significant level of  $p$

< 0.05 and better. These results support the predictions suggested in the research model of this thesis and the views of budget managers toward the recognition of these reasons. They also indicate that, the senior officials and budget managers of UAE universities and colleges are highly aware of the reasons for spending the entire budget in a short period. It is thought that the delays in allocating the budgets externally by MFI and internally by the university officials, approving the transfer of budget resources, and high bureaucracy are the reasons that affect the effectiveness and efficiency of these institutions' purchasing system. This is in support of the conclusion that a failure to spend resources will result in less next year.

**Table 6.14:** The Impact of Personal and Organisational Factors on Budget Implementation

Personal and organisational factors	Budget implementation variables			
	Beta weights			
	Impact of budget implementation	Spending entire budget in short time	Purchasing requirement in short period	Methods of improving budget implementation
Age	0.21	0.22	0.07	0.03
Gender	0.10	0.34	0.22	0.14
Educational level	-0.15	-0.08	0.04	-.07
Nationality	-0.18	-0.11	-0.13	-0.19
Type of the university	0.06	0.003	-0.14	-.03
Occupation	0.09	0.22	0.62	0.42
Management level	-0.03	-0.15	0.09	0.04
Number of years in service	-0.14	0.32	-0.17	-0.16
Budget participation	0.12	0.23	0.12	0.07
Plan setting participation	0.10	0.16	0.16	0.06
R	0.35	0.34	0.56	0.37
R-Squared	0.12	0.12	0.32	0.14
F-Ratio	1.438	1.363	6.797	1.674
Significant level	0.160	0.208	0.000	0.097

Similarly, gender, occupation, number of years in services, plan setting participation appears to have either positive or negative impact on the reasons for

purchasing a university and colleges' requirements in short period. The beta weights are 0.22, 0.62, -0.17 and 0.16 respectively with a significant level of  $p < 0.05$  and better. These results support the connections suggested in the research model and its objectives as well as the views of the budget managers that, these institutions try to spend the limited resources assigned for purchase purposes despite the delays of approving such types of expenditures in a short time. In addition, the regression model seems to be significant and consistent with  $R=0.56$ ,  $R\text{-squared}=0.32$ ,  $F\text{-ratio}=6.797$  and 0.00 significant level.

Finally, nationality, occupation, and number of years in service have either a positive or negative significant impact on the methods of improving budget implementation. The beta weights are -0.19, 0.42 and 0.16 respectively with  $p < 0.05$  significant level and better. The regression model appears to be significant and consistent despite the limited contributions of both personal and organisational factors in explaining the variances in the methods of improving budget implementation. Further, these results support the predictions assumed in the theoretical model of this thesis and the views of budget managers noted earlier in this chapter.

To summarise, the above result show limited R-square with regard to the impact of personal and organisational factors on budget implementation and spending the entire budget in short time toward the end of the end of a financial year. This is because UAE officials have not got sufficient freedom and authority to decide and achieve their budgets, absence of effective purchase plans, complications in the process of budgets' execution and control, and the lack of fairness in assigning financial resources by both central government (MFI) and the university budget committee. To support this explanation a Deputy Vice President noted that:

*“I have to make sure that we can get the maximum possible and that we can spend all we can get. MFI allocate funds accordingly to your expenditure without taking into consideration our plans and programmes. So this is their way of allocating funds. In other words if we don't spend everything we get then the system is such that next year we will be in even grater difficulties.”*

In contrast to the above findings R-squared for both purchasing university requirements and method of improving budget implementation is reasonably significant. These findings prove the impact of personal and organisational factors studied in this research. Lack of power and authority among university staff, shortages of financial and administrative skills have to be taken into consideration in planning.

#### **6.4 Personal and Organisational Factors-Centralisation of Decision-Making Relationships**

The present study has examined the centralisation of decision-making and its relationship with the personal and organisational factors under investigation. In this regard, four variables were used including the extent of financial and administrative power, the reasons for a unit's power struggles, the negativity of the unit's internal power and the degree of autonomy of the unit. Accordingly, part seven of the research questionnaire was used to include these variables. Specifically, the extent of the financial and administrative power and a unit's authority was measured by thirteen questions to represent the dependent variable beside five items used to measure the reasons for the power struggles of university's units. The third dependent variable used was the reasons for unit's internal power, which was measured by eleven items in part seven of this research's questionnaire. The three dependent variables were used in further analyses by aggregating and averaging their items. The relationships between the personal and organisational factors and centralisation of decision making were firstly examined and reported by using Pearson correlation. Secondly, the impact



of the former variables on the dimension of centralisation of decision-making is examined by using multiple regression analysis. These findings will be reported in the following sections.

#### **6.4.1 The Relationship between Personal and Organisational Factors and Centralisation of Decision-Making**

Table 6.15 reports that, age, gender, and nationality are positively and significantly related with the extent of financial and administrative power. The correlation coefficients are 0.23, 0.33 and 0.36 respectively with a significant level of  $p < 0.05$  and better. This means that senior managers of foreign nationalities believe that power devolution to departments and sections within UAE universities and colleges can enhance organisational effectiveness and efficiency and encourage employees' participation and satisfaction within these institutions. The study has also found a positive and significant relationship between types of university, occupation, plan setting participation and the extent of a unit's power and authority. The correlations are 0.18, 0.16, and 0.24 respectively with a significant level of  $p < 0.05$ .

These findings support the connections suggested in the research model and the previous literature, such as, Baldrige (1971), Thurmaier (1994), Marcon (1998), Gordon (1998), and Fearon (2000) as well as UAEESA (1994), and UAEUCD (1995). These studies concluded that, decentralisation will encourage employees' participation and commitment in enhancing the process of resource allocation and its connection with the strategic planning and implementation process.

**Table 6.15: The Relationships between Personal and Organisational Factors and Centralisation of Financial Decision-Making**

Personal and organisational factors	Centralisation of financial decision making			
	Correlation coefficients			
	The extent of decision making power	Power struggles	Negativity of internal power	Unit's autonomy in decision making
Age	0.23	0.17	0.14	0.13
Gender	0.33	0.03	0.03	0.01
Educational level	-0.002	-0.07	-0.10	-0.02
Nationality	0.36	0.07	0.11	0.03
Type of the university	0.18	0.15	0.09	-0.05
Occupation	0.16	0.26	0.33	0.23
Management level	0.08	-0.08	0.05	0.37
Number of years in service	-0.08	-0.16	-0.10	0.67
Budget participation	0.12	-0.05	0.005	0.35
Plan setting participation	0.24	-0.12	-0.12	0.56

In the same spirit, Table 6.15 reports that, age, type of the university and occupation are positively and significantly related with the reasons for unit power struggles. The correlations are 0.17, 0.15 and 0.26 respectively with a significant level of  $p < 0.05$ . These findings support the theoretical model of this thesis and the previous accounting literature, such as, Marcon (1998), Gordon (1998) and Fearon (2000) as well as UAEESA (1994) and ACRPHE (1996). They indicate that, senior officials within UAE universities and colleges are highly aware of the reasons for power struggles among their units and departments including the lack of a university's strategic vision and long-term objectives, absence of employees' participation in decision-making and inadequate financial resources. However, only one negative and significant relationship was found between number of years in services and the reasons for power struggles ( $r=-0.16$ ,  $p < 0.05$ ). This result probably indicates that, officials with short tenure are not highly aware of the reasons for power struggles. This can be the case if one considers the recruitment policies of these institutions that

rely heavily on temporary and short term contracts for foreign nationals. These results are in line with the research model and the previous accounting literature, such as, Thurmaier (1994), Marcon (1998), and Gordon (1998).

In contrast to these findings, Table 6.15 does not show any significant relationships between the negativity of units' internal power and personal and organisational factors. The only exception is the positive and significant relationships between negativity of internal power and occupation ( $r=0.33$ ,  $p < 0.01$ ). This may mean that managers and section heads may be aware of the reasons for the negativity of units' internal power among the university units.

Finally, Table 6.15 shows that, occupation, management level, number of years in services, budget participation and plan setting participation are positively and significantly related with the unit's autonomy in decision-making. The range of the correlations is in between 0.23 and 0.67 with a significant level of  $p < 0.05$  and better. These results are in line with the assumptions and objectives of the theoretical model of this thesis as well as Thurmaier (1994), Marcon (1998), and Gordon (1998) as well as UAEESA (1994).

In addition, budget managers in interviews have stated that the heads of department and sections are not even allowed to discuss their financial needs with budget committees due to high centralisation, bureaucracy, mistrust and a blame culture. This table also shows that, none of the personal factors have any relationships with unit's autonomy in decision-making. This finding is consistent with the confidential reports of Education Sector Assessment UAEESA (1994).

#### **6.4.2 The Impact of Personal and Organisational Factors on Centralisation of Financial Decision-Making**

In examining the impact of personal and organisational factors on the centralisation of decision-making, multiple regression analysis was conducted and the results are reported in Table 6.16. As can be seen from this table the personal factors including gender, educational level, and nationality have a significant impact on the extent of the financial and administrative power of the unit. The beta coefficients are 0.24, -0.17 and -0.15 respectively. In addition, four organisational factors consisting of type of the university, occupation, budget, and planning setting participation have a positive and significant impact on the extent of decision-making unit's power. The contributions of these variables make to the regression model significant and fit due to the moderate values of its indices, such as  $R=0.42$ ,  $R\text{-squared}=0.18$ ,  $F\text{-ratio}=2.215$  with a significant level of 0.020.

In the same vein, among the personal factors only age seems to have a positive impact on the reasons for power struggles (beta weight=0.18,  $p < 0.05$ ). Additionally, occupation, number of years in services, budget participation, and plan setting participation have significant positive or negative impacts on the reasons for power struggles. The range of the beta coefficient is in between 0.19 and 0.36 with a significant level of  $p < 0.05$  and better. These results suggest that organisational factors are more effective than personal attributes in explaining the reasons for power struggle. Also, the managers' views indicate that, lack of power and authority has been the case within UAE HEI for many years due to the high centralisation and lack of employees' participation in decision-making process. This result is consistent with the reports on HEI in UAE, such as, UAEESA (1994), and UAEUCD (1995). Similarly, this table reports that, occupation, number of years in services have either a

positive or negative impact on the reasons for unit's negative internal power. The beta weights are 0.43 and -0.20 with a significant level of  $p < 0.05$  and better. However, other personal and organisational factors have shown very limited contribution in explaining these reasons.

**Table 6.16:** The Impact of Personal and Organisational Factors on Centralisation of Financial Decision-Making

Personal and organisational factors	Centralisation of financial decision making			
	Beta weights			
	The extent of decision making power	Reasons of power struggles	Negativity of internal power	Unit's autonomy in decision making
Age	0.14	0.18	0.14	0.15
Gender	0.24	0.03	0.05	0.22
Educational level	-0.17	-0.10	-0.09	0.56
Nationality	-0.15	-0.09	0.10	0.12
Type of the university	0.23	0.08	0.004	-0.06
Occupation	0.20	0.32	0.43	-0.01
Management level	-0.13	-0.05	-0.09	-.0.03
Number of years in service	0.12	0.19	-0.20	0.34
Budget participation	0.22	0.36	0.13	0.18
Plan setting participation	0.34	0.23	-0.09	0.23
R	0.42	0.41	0.45	0.34
R-Squared	0.18	0.17	0.20	0.12
F-Ratio	2.215	2.049	2.581	2.361
Significant level	0.020	0.035	0.083	0.201

Finally, gender, educational level, number of years in services, budget participation and plan setting participation have a positive and significant impact on the unit's autonomy in decision-making. The range of the beta weights is in between 0.15 and 0.56 with a significant level of  $p < 0.05$  and better. However, the regression model appears not to fit or be significant despite the major contributions of personal and organisational factors in explaining the variance in the unit's autonomy. These findings could possibly support the managers' view that, given more autonomy and a

devolution of power in decision-making that this could have a positive impact on employees attitudes towards positively participating in strategic planning and the budgetary process.

To sum up R-squared, for centralisation of financial and administrative decision-making seem to be significant. This is due to the substantial impact of personal and organisational factors on centralisation. This is in fact the case with regard to the sample of university officials involved in this study who suffered from a severe lack of authority, power, autonomy, lack of participation in decision making relevant to the budgetary planning process and control and developing effective strategic vision, objective, plans and programs, and connection of university strategy with the resource allocation and budgetary process. To support this conclusion a VC has noted that:

*“We support positive competition between the University branches, colleges, and administrative and it is excellent. On the other hand, we do not tolerate struggles at the individual level. This may cause deficiencies in achievements and a planning predicament within the University. In addition, the senior administration should recognise these struggles and that difference exists and finds a suitable solution to prevent them.”*

In contrast to the above finding, a VC has noted that:

*“Struggles normally occur within old universities. However, when we find this sort of problem, we will try to find a solution. We are trying to be more open to departments and staff. We treat this phenomenon by ensuring that the responsibilities are not duplicated within departments and staff. Also we encourage team work instead of competitive work”.*

However, R-squared, for the unit autonomy in decision-making is not significant due to the above factors. As a result, this has limited each university's authority and freedom in deciding its strategy, objectives, priorities plans and

programmes, budgetary process and control. As was mentioned by a DVC who stated that:

*“Financial authority is not sufficient. Practically, the units have to have approval in advance from the head of sector (central governmental authority) when approved purchasing other than from petty cash. This is because the head of sector does not distribute the budget among their units.”*

## **6.5 Personal and Organisational Factors-Financial Reporting Relationships**

This research has examined the relationships between the internal reporting budgeting system and personal and organisational factors. In addition, the impacts of these later variables on the reporting system were also examined. These findings were extracted by using two statistical techniques-Pearson correlation and regression analysis. Further, the internal financial reporting system consists of two variables such as ineffectiveness of budget reports and the reasons for ineffective budget reports. The eighth part of this questionnaire was assigned to the items measuring budget reporting. Accordingly, the first dependent variable was measured by using one item, whereas the reasons for ineffective budget report were measured by using seven items. The questions measuring each variable were aggregated and averaged to be used in further analyses. The results relevant to these variables are reported and discussed in the following sections.

### **6.5.1 The Relationships between Personal and Organisational Factors and the Factors of Financial Reporting System**

Table 6.17 indicates that, occupation, management level and budget participation are positively and significantly related with ineffective budget reporting. The correlations are 0.16, 0.27 and 0.32 with a significant level of  $p < 0.05$  and better.

These findings are in line with the theoretical model of this study as well as of a view of a DVC and a Deputy of General Secretary of financial affairs who stated that:

*“Unfortunately we don’t have an integrated financial system that connects units to finance, budget, and purchasing. However there are individual systems for each of these departments that are unconnected and cause difficulties in acquiring information that is effective and useful for financial decision-making”.*

The result is also supported by the previous accounting literature, particularly, PWE (1987), UAEESA (1994), ACRPHE (1996) and Yale University (2003). In interviews with senior managers they are aware of ineffectiveness in their budget reports in providing suitable financial information for decision making. However, the table does not show any significant relationships between personal factors and this dimension.

**Table 6.17:** The Relationships between Personal and Organisational Factors and the Budget Reporting System

Personal and organisational factors	Budget reporting system	
	Correlation coefficients	
	Ineffectiveness of budget reports	Reasons for ineffectiveness of budget reports
Age	-0.09	-0.06
Gender	0.04	0.05
Educational level	-0.04	0.11
Nationality	0.11	-0.13
Type of the university	0.13	0.17
Occupation	0.16	0.06
Management level	0.27	0.11
Number of years in service	0.04	-0.10
Budget participation	0.32	0.27
Plan setting participation	0.11	0.03



Similarly, type of university and budget participation is positively and significantly related with the reasons for ineffective budget reporting. The correlations were 0.17 and 0.27 with a significant level of  $p < 0.05$ . These findings support also the theoretical model of this research and its assumption. They suggest that, senior officials are highly aware of the reasons for ineffective budget reporting within their institutions. However, the above table does not report any significant relationships between personal factors and these reasons. This could indicate that these reasons could be subject to the impact of other alternative variables not included in this study, such as, environment, structure, management control, power, culture, etc.

Overall the results support the connections suggested in the research model of this thesis and its assumptions and the previous accounting literature, particularly, Marcon (1998), Gordon (1998), and Fearon (2000). These studies concluded that, high employees' participation in budgeting process could positively develop more effective reporting systems within organisations.

#### **6.5.2 The Impact of the Personal and Organisational Factors on the Budget Reporting System**

As can be seen from Table 6.18, the regression model of ineffective budget reporting seems to be significant due to the major contributions of both personal and organisational factors. Specifically, gender, educational level, nationality, type of the university, occupation, management level and budget participation have either positive or negative significant impact on the ineffectiveness of budget reports. The beta weights are between -0.15 and 0.34 with a significant level of  $p < 0.05$  and better. These results are in support of the theoretical model of this research and its assumptions.

In addition, most of the personal and organisational factors seem to have a positive significant impact on the reasons for ineffective budget reporting, except, nationality, type of the university and occupation. The range of the beta weights is in between 0.28 and 0.56 with a significant level of  $p < 0.01$  and better. In addition, the regression model appears to be consistent and significant due to its indicators and the contributions of both personal and organisational factors. These findings support the views of university officials and the research model relevant to the reasons for ineffective budget reporting system.

**Table 6.18:** The Impact of the Personal and Organisational Factors on the Budget Reporting System

Personal and organisational factors	Budget reporting system	
	Beta weights	
	Ineffectiveness of budget reports	Reasons for ineffectiveness of budget reports
Age	0.03	0.28
Gender	-.15	0.34
Educational level	-0.25	0.56
Nationality	-0.33	0.01
Type of the university	0.31	-0.09
Occupation	0.32	0.03
Management level	0.28	0.33
Number of years in service	0.04	0.34
Budget participation	0.34	0.41
Plan setting participation	0.02	0.35
R	0.57	0.64
R-Squared	0.32	0.41
F-Ratio	4.261	9.098
Significant Level	0.030	0.0001

In reviewing the above finding the R-squared for financial reporting system, seems to be fit and is significant because of the strong influence of personal and organisational factors on internal reporting. There have been several other factors

which affect the effectiveness of budget reporting system such as, complexity, lack of accuracy of these reports and their integration with IT facilities as well as lack of reliability and availability of information contained in these report. In support of these explanations a VC stated that:

*“When you do not get the budget you are expecting, then the monthly financial reports should assist you to set your revised priorities.”*

## **6.6 The Relationships between Strategy and Budgetary Process**

Consistent with the preceding findings, the present study represents an empirical attempt to explore the relationships between the dimensions of strategy, plans and programmes and budgeting process. In doing so, the study will examine the contents of the budgeting process gradually by taking each stage of the budget in terms of examining the cause and effect of strategy, plans and programmes. Accordingly, this section is divided into several parts including preparation, allocation and budget implementation relationships with the university's strategy. In addition, each section will include the presentation of Pearson correlations and multiple regression analysis results concerning these associations.

### **6.6.1 The Relationships between Strategy and Budget Preparation**

The research model of this study has assumed that there will be certain significant associations between strategy, plans and programmes and budget preparation dimensions. As was indicated earlier, strategy clearness and communication, which are included in the second part of this research questionnaire, were considered as independent variables. Therefore, five items were used for strategy clearness and three were used for strategy communication. The items measuring each strategic variable were aggregated and averaged to be used in further analysis.

Likewise, three other independent variables for plans and programmes were used, namely, preparation of plans and programmes, obtaining and utilising plans and programmes, and the reasons for not linking plans and programmes to the budget. The first two independent variables of preparation of plans and programmes and obtaining and utilising plans and programmes were measured by using three items for each one of them. The third independent variable was concerned with the reasons for not linking plans and programmes to budget, which was measured by eight items. The items measuring each variable of plans and programmes were aggregated and averaged to be used in this analysis. In the same spirit, the fourth part of this research's questionnaire consisting of budget preparation measures as dependent variables. Specifically, budget constraints were measured by using seven items. While the reasons for the difficulties in the unit's budget preparation were measured by using twenty items. Further, six items for each dimension examined the reasons for unrealistic budget preparation and the complexity of using budget preparation forms. Finally, the reasons for considering budget preparation discussion as a waste of time were measured by nine items as dependent variable. All the items consisting of each dimension of the budget preparation were aggregated and averaged to be used in further analyses.

In examining these assumptions, Table 6.19 reports that both strategy dimensions of clearness and communication are negatively and significantly related with the budget preparation constraints. The correlations are -0.29 and -0.33 with  $p < 0.01$  and better. Although these findings are in line with the assumptions of the theoretical model of this research, they mean that the unclear strategy of the universities and colleges create difficulties when communicating with the various levels of management responsible for budgeting preparation. As a result, this situation

has increased the difficulties and obstacles in the budget preparation process. This explanation is in line with UAEESA (1994), UAEUCD (1995), ACRPHE (1996), and Groves et al (1997), as well as Pidcock (2001). The extension of this latter study indicates that the absence of a clear and communicated strategic vision and priorities has resulted in ineffective budget preparation within UAE HEI. This could be the case in this research if one examines the results of the frequencies that show that the majority of the heads of departments and sections believe the existence of budget preparation constraints impact significantly on the whole budgeting system. In addition, a negative and strong correlation was found between plans and programmes preparation and these constraints ( $r=-0.65$ ,  $p < 0.000$ ). This means that due to a lack of clarity and communication of strategy, the preparations of the plans and programmes severely affects the budget preparation process. As senior managers and section heads within the units are aware of these problems this may suggest that by devolving more power and authority it will help these units in preparing their strategy, plans and programmes in more effective ways especially as this would stress the link with the budget process.

**Table 6.19:** The Relationships between Strategy, Plans and Programmes and Budget Preparation Process

Strategy, plans and programmes	Budget preparation variables				
	Correlation coefficients				
	Budget preparation constraints	Difficulties of budget preparation	Unrealistic of budget preparation	Fitness of budget preparation forms	Budget preparation discussion
Strategy Clearness	-.29	0.25	0.50	0.41	0.35
Strategy communication	-0.33	-.40	0.53	0.33	0.34
Preparation of plans and programmes	-0.65	-.17	0.34	0.05	0.22
Obtaining and using plans and programmes	0.33	0.26	0.61	0.01	0.41
Linking plans and programs to strategy	0.22	0.31	0.51	0.31	0.34

Table 6.19 reports that there are positive relationships between both obtaining, using plans and programmes, linking plans and programmes to strategy, and budget preparation constraint. Such positive connections could promote the above justification in particular with the increasing awareness and understanding of these managers of the budget preparation constraints. These findings support the assumptions of the research model and the previous accounting literature, particularly, PWE (1987), Roberston (1993), and Clarke (1997).

Following this line of reasoning, Table 6.19 indicates that strategy clearness is positively and significantly related with the reasons for the difficulties in budget preparation ( $r=0.25$ ,  $p < 0.05$ ). This means that the more clear the strategy the more the awareness of senior managers to budget preparation difficulties. However, negative and significant correlations were found between strategy communication, preparation of plans and programmes, and the reasons for the difficulties in preparing budget. This indicates that the less effective is strategy communication and preparation of plans and programmes, the less the awareness of difficulties in budget preparation. Again, both variables of obtaining and using plan and programmes, and linking plans and programmes to strategy were found to be positively related with the difficulties of budget preparation. This again indicates that the more the use of plans and programmes and linking them to strategy, the more the awareness of the senior managers to the reasons of difficulties in preparing budget. These relationships are in line with the research model and the previous accounting literature, such as, UAEESA (1994), UAEUCD (1995), ACRPHE (1996) Groves et al (1997), and Pidcock (2001). In addition, the interviews with the budget managers within universities and colleges

of UAE indicate that, the absence of a communicated strategic vision and the deployment of plans and programmes has caused difficulties in getting adequate financial resources to meet teaching and learning programmes and other activities set by these institutions. This has created disillusionment with the whole planning and budget process.

In the same spirit, there seems to be positive correlations between the reasons for unrealistic budget preparation, strategy, plans and programmes utilizing and linking plans and programmes to strategy. The range of these correlations is between 0.34 and 0.61 with a significant level of 0.01 or better. This means the greater the awareness of the reasons for unrealistic budget preparation the more important is the clearness and communications of strategy to various units and departments and the more effective budget preparation, application and linking of plans and programmes with these strategies will be. The results of the qualitative interviews with the budget managers and senior officials of these institutions prove that there have been no clear strategies and objectives to be followed in budget preparation and implementation. They wanted a change to this situation.

Turning to the relationships between the reasons for considering budget preparation discussion as a waste of time and strategy plans and programmes dimensions. Specifically, the correlation coefficients are positive and significant at 0.05 and better. This indicate that the more the clarity and communication of strategies, plans and programmes the more the reasons for considering budget preparation discussion as a waste of time by senior officials and budget managers will be reduced.

### 6.6.2 The Impact of Strategy Plans on Budgeting Preparation Process

This research has conducted multiple regression runs in order to examine the impact of strategy; plans and programmes on each budget preparation variable and the results were reported in the following table. As can be seen from Table 6.20 all the strategic and plan and programmes factors seem to have either a positive or negative impact on the budget preparation constraints except, the preparation of plans and programmes.

Table 6.20: The Impact of Strategy, Plans and Programmes on Budget Preparation Process

Strategy, plans and programmes	Budget preparation variables				
	Beta Weights				
	Budget preparation constraints	Difficulties of budget preparation	Unrealistic of budget bids	Fitness of budget preparation forms	Budget preparation discussion
Strategy Clearness	-0.26	0.04	0.20	-0.07	-0.42
Strategy communication	0.21	0.09	0.25	0.14	0.20
Preparation of plans and programs	0.001	-0.10	0.02	-0.15	-0.56
Obtaining and using plans and programs	-0.60	-0.33	0.34	-0.10	-0.09
Linking plans and programs to strategy	0.72	0.72	0.41	0.54	0.65
R	0.54	0.53	0.33	0.41	0.56
R-Squared	0.29	0.28	0.11	0.17	0.31
F-Ratio	4.355	4.272	1.319	2.188	6.954
Significant Level	0.002	0.002	0.270	0.068	0.005

The beta weights for these variables are in between 0.21 and 0.72 with a significant level of  $p < 0.05$  or better. In addition, the regression analysis is significant with regard to this dependent variable. This is because the values of  $R=0.54$ ,  $R\text{-squared}=0.29$ ,  $F\text{-ratio}=4.355$  with a significant level of 0.002. This means that these variables should be considered in the developing of certain conclusions and



implications in this research. Also, the interviews with the budget managers have indicated that the existence of a better strategic planning process within these institutions could help units and departments get sufficient or fairer financial resources through more effective budget preparation.

Following this view, only two plans and programmes determinants (obtaining, using plans, programmes, and linking these plans and programmes with strategy) were either positively or negatively and significantly related with the reasons for difficulties in preparing budget unit. The beta weights for these factors were  $-0.33$  and  $0.72$  with a significant level of  $0.002$  or better. However, none of strategic dimensions has any impact on this dependent variable. The beta coefficients were positive and very weak. In addition, the regression model show a significant fit with these dimensions and the values of its indicators, such as,  $R=0.53$ ,  $R\text{-squared}=0.28$ ,  $F\text{-ratio}=4.272$  with a significance level of  $0.002$ . This model suggest that the more the understanding of the reasons for the difficulties in budget preparation, the more should be the deployment of these plans and programmes by the financial departments of these institutions. However, the interviews conducted by the researcher with the budget managers indicate that there has been very limited use of any plans and programmes in budget preparation and those strategies are not effectively linked with the resources allocation process as they currently did not discuss these issues with finance.

On the contrary, Table 6.20 indicates that almost all the strategic and plans and programmes determinants are positively related with the reasons for unrealistic budget preparation except the preparation of plans and programmes. The beta coefficients were  $0.20$  to  $0.41$  with a significant level of  $0.05$  or better. This means that greater the clarity and communication of the strategic visions, and objectives and linking them

with the plans and programmes, the more effective would be the application and use of these plans and programmes in budget preparation. This will eventually lead to a higher awareness by senior official and budget managers for the reasons for unrealistic budget preparation. However, the regression model is not significant despite the reasonable value of  $R=0.33$  and  $R\text{-squared}=0.11$ ,  $F\text{-ratio}=1.319$  and  $0.270$  significant level. However, this result was supported completely by an Executive Director for Finance and Administration:

*“I would say that the team has worked together for some time. I think there is now a good understanding of the budget process. Some departments are more aggressive than others but this is always the case. By now, I generally know who is asking for two, when they need one, and when they ask for one when they need none. Part of this is my ongoing communication with these people. I generally know who is planning the budget, I have been budgeting for so many years, and it is human nature to do things differently, I understand that”.*

In contrast to these findings, the regression model of the fitness of budget preparation forms seems to be significant despite the few contributions from the plans and programmes dimensions. Specifically this model show reasonable values of  $R=0.41$ ,  $R\text{-squared}=0.17$ ,  $F\text{-ratio}=2.188$  with  $0.068$  significant level. In addition, only preparation of plans and programmes and linking plans and programmes have significant contributions on the reasons for unfitness of budget preparation forms. This means that the more the awareness of these reasons the more would be the understanding of these managers as to the vital role of strategic planning in preparing effective budget bids.

With this in mind, the above findings indicate that all the dimensions of the strategy and plans and programme have either a positive or negative significant impact on the reasons for budget preparation discussion as a waste of time, except

obtaining and using plans and programmes. The beta coefficients for these variables are between 0.20 and 0.65 with a significant level of 0.05 and better. This means that the clearer the strategy the easier it can be communicated and the more the awareness by managers that discussion over the budget will be improved and not seen as a waste of time. This awareness is not however, the case within these institutions due to the absence and limitations of strategic planning application in these universities and colleges. In addition, the regression model is significant and fits due to its indices of  $R=0.56$ ,  $R\text{-squared}=0.31$ ,  $F\text{-ratio}=6.954$  with 0.005 significant level. These findings suggest that the strategic, plans, and programmes determinants should be considered in formulating the budget and its subsequent control.

To summarize, strategic vision, objectives, plans and programmes seem to be very important determinants of the budget preparation process. This is in fact the case if we consider the  $R\text{-squared}$  for all dimensions of budget preparation except unrealistic budget preparation. This is due to the missing link between the strategy and budgetary process and control suggested by the university officials. A DVC of has stated:

*“I don’t believe that there is currently a connection between budgeting and strategies, and I believe that there is a big gap between the financial resources requirement and the fulfilment of strategic planning. In addition, if we look at strategic planning we find that most of it fails due to strategic planning disconnections. This is attributed to the financial system of MFI in the UAE the government’s postponement of its with endorsement of the budget to June or July, and not taking into its consideration University plans. These types of delays mean the University follows weak financial plans.”*

### **6.6.3 The Relationships between Strategy and Budgeting Allocation Process**

This study has examined the relationships between the strategic, plans and programmes dimensions and budget allocation factors and process by using Pearson correlations. In addition, the impact of the former factors on each budget allocation dimension were examined by using multiple regression analysis in order to estimate the contribution of each determinant with regard to the budget allocation factors including budget allocation methods, insufficient financial resources, and unfairness of the budget allocation. The results of these statistical analyses are presented, reported and discussed in the following sections. It can also be indicated that, budget allocation methods as dependent variable was measured by using fourteen items. Whereas, the reasons for insufficient financial resources were measured by using five items beside six questions used for the reasons of unfairness budget allocation. All the items representing each dimension of budget allocation were aggregated and averaged to be used in further analyses.

#### **6.6.3.1 The Relationships between Strategy and Budget Allocation**

The results of Pearson correlations are reported in Table 6.21. As can be seen from this table, only linking plans and programmes to strategy was found to be negatively and significantly correlated with the factors affecting budget allocation methods ( $r=-0.35$ ,  $p < 0.01$ ). This means that the lack of the link of plans and programmes with strategy has contributed in the difficulties in using proper methods to allocate financial resources to each unit within UAE HEI. These findings seem to support the research model of this thesis and its objectives as well as the previous accounting literature, such as, UAEESA (1994), UAEUCD (1995), ACRPHE (1996), Clarke (1997), and Pidcock (2001). However, the rest of strategic and plans and

programmes factors are weakly related with these reasons affecting resources allocation methods.

**Table 6.21:** The Relationships between Strategy, Plans and Programmes and Budget Allocation

Strategy, plans and programmes	Budget allocation	
	Correlation coefficients	
	Budget allocation methods	Insufficient financial resources
Strategy clearness	-0.14	-0.08
Strategy communication	-0.14	-.05
Preparation of plans and programs	0.02	0.02
Obtaining and using plans and programs	0.007	-0.12
Linking plans and programs to strategy	-0.35	0.02

Moreover, none of the strategic, plans, and programmes dimensions is related with the reasons for insufficient financial resources. The range of the weak correlations is in between 0.02 to -0.12. This may suggest that there are other factors than these involved in this inquiry, which may affect such reasons of insufficient resources, such as, size of the organisation, activities, and financial policies and objectives of the university. These findings do not support the model of this study and the previous accounting literature, such as, Groves et al (1997) and Pidcock (2001).

#### **6.6.3.2 The Impact of Strategy on Budgeting Allocation Process**

In order to verify the above findings and examine the impact of strategic, plans and programmes dimensions on each variable of budget allocation, multiple regression runs were conducted and the results were reported in Table 6.22. As can be seen from this table, only obtaining and using plans and linking them to strategy have either positive or negative significance in term of budget allocation methods.

The beta coefficients for these two determinants are  $-0.46$  and  $0.65$  with a significant level of  $p < 0.001$  and better. These findings indicate that, the greater the awareness and understanding of the factors affecting budget allocation process by senior managers, the more effective would be financial planning and resources allocation. This explanation however, is not understood within UAE HEI, since the MFI impose certain procedures and regulations on these institutions to be followed in order to get their financial resources. This means that, strategic planning has not been considered as a base for resource allocation. As a result, these institutions are suffering from under funding problems. In addition, the regression model seems to be fit and be mildly significant with regard to this variable due to the moderate values of  $R=0.49$ ,  $R\text{-squared}=0.24$ ,  $F\text{-ratio}=30.479$  and a significant level of  $P < 0.008$ .

**Table 6.22:** The Impact of Strategy, Plans and Programmes on Budget Allocation

Strategy, plans and programmes	Budget allocation	
	Beta weights	
	Budget allocation methods	Insufficient financial resources
Strategy clearness	-0.12	-0.19
Strategy communication	-0.03	0.15
Preparation of plans and programs	0.03	0.58
Obtaining and using plans and programs	-0.46	-0.73
Linking plans and programs to strategy	0.65	0.20
R	0.49	0.34
R-Squared	0.24	0.12
F-Ratio	3.479	1.409
Significant level	0.008	0.240

Consistent with this view, all strategic, plans and programmes dimensions seem to have either positive or negative significant impact on the reasons for insufficient financial resources for each unit within each university. The beta

coefficients are in between 0.15 and 0.73 with a significant level of  $p < 0.05$  and better. However, the regression model is not significant due to the low contributions of its determinants and value of its indices. This could indicate that the lack of the strategy clearness and communications and use of plans and programmes have increased the difficulties or lack of unawareness of the reasons for insufficient financial resources for each unit of UAE HEI. However, the regression model is not significant due to its low indices of R-squared and F-ratio. In addition, these findings seem to support the model of this thesis and its objectives as well as the previous accounting literature, particularly, Clarke (1997), Gordon (1998), and Pidcock (2001).

However, these findings have shown certain positive and negative significant contributions of the strategic, plans and programmes determinant with regard to each reason for budget allocation. Therefore, these connections will be considered in the conclusions and implications of this study.

To sum up, all R-square for budget allocation factors seems to be significant except the reasons for insufficient financial resources. This is because of the missing link between strategy and budgetary process. In supporting of these results, a VC commented that:

*“There is no guarantee that our future projects can be accomplished. We are still depending on one source of funds. This is causing our projects to be interrupted, modified, or postponed. Hence, some of our future projects and plans cannot be committed and meet our ambition in establishing a recognised and accumulated quality university.”*

This was supported further by a DVC as he noted that:

*“I don’t think there is any link between strategies and the budgetary system. For instance, we ask for 800 million then we receive 650 million. This will create conflict within the institution. The allocation then is not subject to any strategy or goals. The budgeting committee assign all resource essential to the academic sector for teaching. All other activities are postponed”.*

#### **6.6.4 The Relationships between Strategy and Budget Implementation Process**

The present study has examined the relationships between budget implementation, strategy and plans and programmes. In this respect four factors of budget implementation were used including the impact of budget implementation, spending entire budget in short time, purchasing university requirements in short period and improving budget implementation. In addition, the impact of budget implementation was measured by using seven items in part six of this research questionnaire. Whereas, five, thirteen and eight items were used to measure each dimension of spending entire budget in short time, purchasing university requirements in short period and improving budget implementation respectively. The items measuring each main variable of budget implementation were aggregated and averaged to be used in further analyses.

The study has conducted Pearson correlation in the examination of these relationships and regression analysis in predicting the impact of strategy, plans and programmes on budget implementation and the results were reported and presented in the following tables.

##### **6.6.4.1 The Relationships between Strategy and Factors of Budget Implementation**

Accordingly, Table 6.23 reports that only linking plans and programmes was found to be positively and significantly related with the factors affecting budget implementation ( $r=0.19$ ,  $p < 0.05$ ). This means that the more the link between plans and, programmes with strategy, the greater the awareness of senior officials and budget managers as to the factors affecting budget implementation, such as, the absence of effective inspection, unapproved plans and programmes for the unit, etc. This result is in line with the assumptions of this research model and the previous



literature, particularly, UAEUCD (1995), ACRPHE (1996) Clarke (1997), and Hope and Frasar (1999). As was indicated by the budget managers of UAE HEI, there has been a substantial lack of financial resources available for these institutions to meet their learning and teaching programmes as well as other requirements. As a result, this problem has affected the implementation process of the budget and the spending ability of these institutions.

This table however, indicates that none of the other strategic, plans and programmes factors are related with this variable of implementation. The correlation coefficients are either positive or negative and very weak.

This is also the case with regard to the spending the entire budget in a short time. Specifically, the findings show that linking plans and programmes with strategy was positively and significantly related with the reasons for spending the entire budget in a short time ( $r=0.18$ ,  $p < 0.05$ ). This means that the more the link between plans programmes with the strategy the more the awareness of the reasons for spending the entire budget in short period. The reasons such as, the fear of the return of allowances to the MFI, the pressure on the immediate superiors to spend the entire budget in short time, etc. This result supports the assumptions of the theoretical model of this study as well as the previous accounting literature, such as, PWE (1987) UAEESA (1994), UAEUCD (1995), and ACRPHE (1996). However, the rest of the correlation is weak and mostly negative. The results are supported also by a Planning and Budget manager during an interview when he noted that:

*“The reason for spending the surplus of the budget by the end of year is because the academic year starts in September and they want to be sure that they have sufficient funds for September to get the academic year rolling and make sure its all covered and then come November if they still have some surplus they spend it. It is always a very sensitive topic to deal*

*with because once you distribute the budget the units feel like there is owner ship like I am the custodian of this area so don't tell me how to spend".*

Consistent with this view, linking plans and programmes with strategy was positively and significantly related with the reasons for purchasing the university's requirements in a short period ( $r=0.26$ ,  $P < 0.01$ ). This means that the more the link between plans, programmes and strategy, the more the awareness of the senior managers and section heads of the reasons for purchasing a university's requirements in a short time. Such reasons include the lack of a clear plan for the provision of requirements, the weakness of purchasing committee, etc.

On the contrary, Table 6.23 indicates that none of the strategic, plans and programmes factors have any relationships with the methods of improving budget implementation. The correlation is weak and mostly positive. This could be due to the impact of other alternative factors such as, business environment, organisation structure, managerial roles and attitudes as well as the institutional nature of budget implementation process.

Table 6.23: The Relationships between Strategy and Budget Implementation

Strategy, plans and programmes	Budget implementation			
	Correlation coefficients			
	The impact of budget implementation	Spending entire budget in short time	Purchasing university requirements in short period	Improving budget implementation
Strategy clearness	-0.02	-.009	-0.10	-0.13
Strategy communication	-0.001	-0.005	-0.09	-0.09
Preparation of plans and programs	0.03	0.05	-0.07	0.01
Obtaining and using plans and programs	-0.08	-0.02	-0.03	0.003
Linking plans and programs to strategy	0.19	0.18	0.26	0.09

To sum up, the above relationships seem to be very weak with regard to strategic implementation. This could be due to the nature of this process, which mostly is concerned with internal activities. These activities may not be in direct relationship with the strategy, plans, and programmes.

#### 6.6.4.2 The Impact of Strategy Plans on Budgeting Implementation Process

In examining the impact of the strategic and plans and programmes determinants on the budget implementation, multiple regressions were conducted and the results are reported in Table 6.24.

**Table 6.24:** The Impact of Strategy, Plans and Programmes on Budget Implementation

Strategy, plans and programmes	Budget implementation			
	Beta weights			
	The impact of budget implementation	Spending entire budget in short time	Purchasing university requirements in short period	Improving budget implementation
Strategy clearness	-0.12	-0.36	-0.18	-0.22
Strategy communication	0.13	0.33	0.10	0.10
Preparation of plans and programs	0.48	0.36	0.42	0.05
Obtaining and using plans and programs	-0.80	-0.54	0.74	-0.13
Linking plans and programs to strategy	0.48	0.38	0.54	0.16
R	0.42	0.54	0.44	0.18
R-Squared	0.18	0.29	0.19	0.03
F-Ratio	2.275	9.535	2.650	0.371
Significant level	0.060	0.001	0.033	0.867

As can be seen from this table, only three factors of plans and programmes have either positive or negative impact on the factors affecting budget

implementation. The beta coefficients are in between 0.48 and -0.80 with a significant level of 0.001 or better. This means that the more effective the preparation of plans and programmes and linking them to strategy, the more the awareness of the senior managers and section heads to the factors affecting budget implementation. In addition, not obtaining and using these plans and programmes may affect the awareness of these factors. It was noted by the universities officials' and budget manager during the interviews that, the preparation and allocation of university and college budgets could not be effectively achieved due to the absence of strategic link with the resources allocation process and the lack of awareness of the importance of these linkages. In addition, the above findings support the research model and its objectives as well as PWE (1987), UAEESA (1994) UAEUCD (1995) and ACRPHE (1996).

However, the strategy clearness and communications do not have any impact on the factors affecting budget implementation. Despite this weak impact, the regression model is significant and fit with  $R=0.42$ ,  $R\text{-squared}=0.18$ ,  $F\text{-ratio}=2.275$  and  $p < 0.060$  significant level.

Contrary to these findings, all the strategic, plans and programmes determinants seem to have either positive or negative significant impact on the reasons for spending the entire budget in short period. The range of the beta coefficients is in between 0.33 and 0.54 with a significant level of  $p < 0.01$  or better. This means that the greater the communication of strategy among various levels of management with preparing effective plans and programmes and linking them to strategy, the more the awareness of senior managers to the reasons for spending the entire budget in short period. It is thought that understanding such an impact may help

to solve the problem of preparing effective spending plans and overcome the problems associated with the implementation of the budget. These findings are in line with the theoretical model of this thesis and PWE (1987) UAEESA (1994) and ACRPHE (1996). These latter studies have diagnosed several reasons for shortages of spending financial resources to meet universities and colleges requirements. However, the results indicate that the less the clarity of the strategy and the lack of obtaining and using plans and programmes, the lack of the awareness of these reasons and the lack of power to solve the problems of spending the entire budget in short time. In addition, the regression model is fit and significant with  $R=0.54$ ,  $R\text{-squared}=0.29$ ,  $F\text{-ratio}=9.535$  and  $p < 0.001$  significant level.

In the same spirit, four strategic, plans, and programmes factors seem to have either positive or negative impact on the reasons for purchasing the university's requirements in a short period. The beta coefficients are in between 0.18 and 0.74 with a significant level of  $p < 0.05$  and better. This means that the more the strategy is communicated and the more effective the link with the plans and programmes, the greater the awareness of the reasons for purchasing the entire university's requirements in short period. It has been suggested by budget managers that, linking strategy with the programmes, plans and budgets could improve the understanding of senior managers and section heads of these problems and solve them effectively. However, the lack of clear strategies may affect such understanding of these problems. Thus, the regression model is significant with  $R=0.44$ ,  $R\text{-squared}=0.19$ ,  $F\text{-ratio}=2.650$  and  $p < 0.033$  significant level.

Finally, only one strategic factor and two plans and programmes determinants seem to have either positive or negative impact on the methods of improving budget

implementation. The beta coefficients are in between 0.16 and -0.22 with  $p < 0.05$  significant levels. This means that a lack of strategy clearness could affect the ways of improving the application of budget implementation. However, linking plans and programmes with strategy could improve budget implementation provided that senior managers and section heads are aware of the main objectives, strategies and plans of their units and universities. Due to the lack of contributions of strategic, plans and programmes determinants, the regression model was weak with low values of its indicators.

In brief, the above findings appear to suggest that strategy, plans and programmes are relatively good predictors of good budget implementation. Therefore, this study will attempt to develop certain conclusions and implications relevant to these factors.

In brief, R-square for the impact of the strategic planning on budget implementation factors has been significant except the dimensions for improving budget implementation. The main reason for this positive support for the research model has been well-established in a weak strategy budget connection as well as the impact of the planning process on resource allocation within UAE HEI. However, the low impact of strategy on improving budget implementation has been caused possibly by the lack of authority in units, high centralisation of decision-making imposed by MHE and MFI. In line with these findings a DVC noted that:

*“When there is not sufficient financial resource, then some projects are postponed to the next year and new projects set in place in the next budget hoping to obtain sufficient funds next year. When a new project suddenly appears with no funds allocated to it the University arrangement is complicated and we can not deal with it in a sensible manner since the budget bid is reduced, imposed and set by MFI.”*

## **6.7 The Relationships between Strategy and Centralisation of Decision-Making**

This research has examined the relationships between strategies, plans and programmes factors and the centralisation of financial and administrative decision-making by using Pearson correlation. In addition, the impact of these former factors on centralisation was examined by using multiple regression analysis. This study has used four factors of centralisation including, the extent of unit power, the reasons for power struggles within the units, the negativity of the internal power and unit autonomy. Accordingly, in the seventh part of this research questionnaire, the extent of unit power as a dependent variable was measured by using thirteen items and seven items used to measure the reasons for power struggle. On the other hand eleven items examined the negativity of the internal power for the university as a whole. The items measuring each dimension of centralisation of administrative and financial decision-making were aggregated and averaged to be used in further analysis. The results of both correlation and regression statistical techniques are reported in the following sections.

### **6.7.1 The Relationships between Strategy Factors of Centralisation of Decision-Making**

Table 6.25, indicates that no relationships were found between strategic, plans and programmes factors and the extent of a unit's power. The correlations are weak and not significant. Although the relationships between strategy and centralisation of decision-making are well established in the literature, the findings of this study do not support such assumptions as cited in the research model. Also, the negative weak relationship indicates that UAE HEI are highly centralised particularly in financial strategic and policies decisions.

**Table 6.25: The Relationships between Strategy, Plans and Programmes and Centralisation of Decision Making**

Strategy, plans and programmes	Centralisation of decision making			
	Correlation coefficients			
	The extent of unit power	Power struggles within units	Negativity of internal power	Unit autonomy
Strategy clearness	-0.12	0.02	0.32	-0.02
Strategy communication	-0.05	0.04	0.36	0.07
Preparation of plans and programs	-0.04	-0.03	-0.14	-0.01
Obtaining and using plans and programs	-0.08	0.06	0.05	-0.03
Linking plans and programs to strategy	0.12	0.24	0.16	0.22

On the contrary, only one relationship was found between linking plans and programmes with strategy with the reasons for unit's power struggles ( $r=0.24$ ,  $p < 0.05$ ). This could refer that the more effective the link between plans and programmes with strategy the more the awareness of the reasons for a unit's power struggles by senior managers and section heads. This result confirms the views of the budget managers that high centralisation and a lack of employees' participation in the decision-making process have affected the budgetary process and the amount of financial resources assigned to UAE universities and college. This result is in line with the previous literature, such as, PWE (1987), UAEESA (1994), UAEUCD (1995), Thurmaier (1994), Gordon (1998), and Marcon (1998). However, the rest of the correlation coefficients are rather weak and not significant.

Table 6.25 however, shows that there are positive and significant relationships between the reasons for negative internal power and, strategy clearness, strategy communications, and linking plan and programmes to strategy. The correlation coefficient range is in between 0.16 to 0.36 with a significant level of  $p < 0.05$  or better. This could indicate that, the greater the clearness and communication of strategy and creating links with plans and programmes, the more the awareness of the



senior managers to the reasons for the negativity of the internal power. This awareness may help understanding such negativity and solve the problems associated with the lack of unit's power. These results are in support of the assumptions of the research model of this study as well as, Baldrige (1971), PWE (1987), UAEESA (1994), Gordon (1998), and Marcon (1998). However, the relationships between obtaining and using plans and programmes were weak and not significant.

Further more, this table reports a positive relationship between the linking of the plans and programmes with strategy and unit autonomy ( $r=0.22$ ,  $p < 0.05$ ). This means that the more effective the link between plans and programmes with the strategy, the more the independence of the unit in taking financial and administrative decisions is relevant to its activities including the budgeting process. Although this result is in line with the research model, it has however, been accepted with caution, since there has been no such history of independence within these institution in taking financial and strategic decisions. However, the rest of the correlations are weak and not significant.

The above findings show limited connections between strategy, plans, and programmes with the centralisation of the decision-making. This may suggest that there might be other factors which affect the power of these colleges and universities, such as, size, technology, government education policies and so on.

#### **6.7.2 The Impact of Strategy Plans on Centralisation of Decision-Making**

This study has examined the impact of the strategy, plans and programmes factors on the centralisation of decision-making by using multiple regression and the results are reported in Table 6.26.

**Table 6.26: The Impact of Strategy Plans on Centralisation of Decision Making**

Strategy, plans and programmes	Centralisation of decision making			
	Beta weights			
	The extent of unit power	Power struggles within units	Negativity of internal power	Unit autonomy
Strategy clearness	0.27	-0.33	-0.06	0.47
Strategy communication	0.19	0.37	0.10	0.05
Preparation of plans and programs	0.21	0.13	0.15	0.10
Obtaining and using plans and programs	-0.46	-0.41	-0.53	0.65
Linking plans and programs to strategy	0.35	0.47	0.54	0.46
R	0.31	0.38	0.40	0.65
R-Squared	0.10	0.14	0.16	0.42
F-Ratio	1.132	2.830	2.107	1.740
Significant level	0.355	0.122	0.079	0.000

As can be seen from this table, all the strategic and plans and programmes factors appear to be related either positively or negatively with the extent of unit power. The beta weights for these predictors are in between 0.19 to 0.46 with a significant level of  $p < 0.05$  or better. This indicates that the clearness and communications of strategy and linking it with the plans and programmes could lead to the more effective preparation of plans and programmes and increase the managerial and financial power of the unit. However, if these units face certain difficulties in obtaining and using these plans and programmes the power of the unit may be affected and rather reduced. Despite these contributions, the regression model is not significant due to the low values of its indicators, such as,  $R=0.31$ ,  $R\text{-square}=0.10$ ,  $F\text{-ratio}=1.132$  with  $p < 0.355$  significant level.

Similarly, four strategic, plans and programmes factors seem to have either positive or negative impact on the reasons for power struggles within the university's units. The beta weights range is between 0.33 to 0.47 with a significant level of  $p < 0.01$  or better. These findings suggest that the more the effectiveness of strategic

communications and its link with the plans and programmes the more the awareness of managers as to the reasons for power struggles within each unit. These findings are in line with the assumptions of the research model suggested in this thesis as well as the views of the senior officials regarding the lack of power and authority and employees' participation in decision-making. However, this study indicates that the less the strategy clearness and the lack of obtaining and using plans and programmes, the lack of the senior managers' awareness of the reasons for power struggles. The regression model is relatively good fit and consistent with a significant level of  $p < 0.122$ .

On the contrary, only plans and programmes predictors appear to have either a positive or negative impact on the reasons for the negativity of the unit's internal power. The beta weights are in between 0.15 to 0.54 with a significant level of  $p < 0.05$  or better. These findings indicate that the more effective the preparation of plans and programmes and the link of them with the university strategy, the more the awareness of senior managers and section heads to the reasons for negativity of the internal power. However, the lack of getting and using these plans and programmes in time may cause more negativity in the unit's internal power. The regression model of these dependent variable is significant with  $R=0.40$ ,  $R\text{-squared}=0.16$ ,  $F\text{-ratio}=2.107$  and a significant level of  $p < 0.079$ .

Consistent with these findings three strategic and plans and programmes factors have a positive impact on the unit autonomy. The beta weights for these factors are in between 0.46 to 0.65 with a significant level of  $p < 0.01$  or better. This means that the more the clearness of the university strategy and its link with the plans and programmes, the more the independent of the unit and its ability to prepare and

use plans and programmes effectively. Thus, the regression model appears to be fit with strong indicators of  $R=0.65$ ,  $R\text{-squared}$  of 0.42,  $F\text{-ratio}$  of 11.740 and  $p < 0.000$  significant level.

In summary, the above findings prove that there is a strong link between strategy, plans and programmes and the dimensions of centralisation of decision-making. Such links have to be considered in the conclusions and implications of this inquiry. Overall,  $R\text{-squared}$  for the impact of strategy plans and centralisation of decision making has reasonably been significant except on the impact of strategy on power struggles and unit autonomy. These later results show that the lack of authority and freedom to take administrative and financial decisions have been the major reasons for the disconnection between strategy and resource allocation. To support this explanation a VC has mentioned that:

*“I would rather let units have authority. Meanwhile, we are not able to give units financial and administrative authority. All work is done in the university through committees”.*

## **6.8 The Relationships between Strategy and Budget Reporting System**

This research has examined the relationships between strategy, plans and programmes and dimensions of budgeting reporting system by using Pearson correlation. In addition, multiple regression analysis was conducted to estimate the impact of the strategic plans and programmes factors on budget reporting. It may be noteworthy to indicate that two factors were used to represent budget reporting including ineffectiveness of budget reports and reasons for ineffectiveness of budgeting reporting. These items were considered as dependent variables and measured by using one and seven items respectively. These items were aggregated

and averaged to be used in the correlations and regression analyses. The results of the statistical analysis are reported in the following sections.

#### **6.8.1 The Relationships between Strategy and Factors of Budgeting Reporting**

Table 6.27 indicates that strategy clearness and communication seems to have a positive relationship with the ineffectiveness of budget reports. The correlation coefficients are 0.22 and 0.31 with a significant level of  $p < 0.05$  and better. This means that the higher the clarity of strategy and its communication the more would be the awareness and understanding of the reasons for the ineffectiveness of budget reports. This could be the case if one examines the need for the managers and heads of departments to get accurate and sufficient reports in time in order to overcome the problems raised in the application and implementation of the university budget. These findings support the predictions of the theoretical model of this research and its objectives as well as certain studies, such as, PWE (1987), UAEESA (1994), Marcon (1998), Thurmaier (1998) and Yale University (2003).

However, obtaining and using plans and programmes and their preparation appears to have a negative significant relationship with the effectiveness of budget reports. The correlations are -0.23 and -0.34 with a significant level of  $p < 0.05$  and better. This means that the lack of effective preparation of plans and programmes and using them in proper way affects the effectiveness of the budgeting reporting system. However, a positive relationship was found between linking these plans and programmes with the strategy and effectiveness of the budget reporting system ( $r=0.22$ ,  $P < 0.05$ ). This indicates that the more effective the link of plans with strategy the more effective would be the budget reports and their use.

**Table 6.27: The Relationships between Strategy, Plans and Financial Reporting System**

Strategy, plans and programmes	Financial reporting system	
	Correlation coefficients	
	Effectiveness of budget reports	Reasons for ineffectiveness of budget reports
Strategy clearness	0.22	0.36
Strategy communication	0.31	0.45
Preparation of plans and programs	-0.23	0.45
Obtaining and using plans and programs	-0.34	-0.23
Linking plans and programs to strategy	0.22	0.34

In the same spirit, positive connections were found between strategy clearness, communications, and the reasons for the ineffectiveness of budget reports. The correlations coefficients are 0.36 and 0.45 with a significant level of  $p < 0.01$  and better. These results suggest that the greater the clearness and communications of strategy among the units, the more would be the awareness of managers and heads of department and sections for the reasons of the ineffectiveness of the budgeting reporting system. Thus strategy clearness and its communication could improve the understanding of these managers to these reasons and reduce problems associated with the reporting system. This means that the effective communication of strategy may help the units to have more effective financial reports relevant to the budget of their unit.

In addition, plans and programmes preparation and links with strategy appear to have a positive and significant correlation with these reasons. The correlation coefficients are 0.34 and 0.45 with a significant level of  $p < 0.01$  and better. This indicates that the more the effectiveness of the plans and programmes preparation and linking them with the strategy, the more would be the awareness of these managers to

the reasons for ineffectiveness of their budget reports. However, negative and significant relationship was found between obtaining and using plans and programmes and these reasons ( $r=-0.23$ ,  $P < 0.05$ ). This result may indicate that the lack of or difficulties in getting and obtaining plans and programmes may significantly affect the awareness of managers and section heads for the reasons for any ineffectiveness of the budget reporting system. The interviews with university officials have indicated that, these reports are not effective due to the delays and the inaccuracy of financial information include in these reports. This result seems to be in line with the predictions of the theoretical model of this study as well as studies, such as, PWE (1987) UAEESA (1994), Marcon (1998), Thurmaier (1998) and Yale University (2003).

As can be seen from the above findings, significant support has been reported regarding the relationships between budget reporting system and strategic dimensions of interest to this thesis.

#### **6.8.2 The Impact of Strategy Plans on Budgeting Reporting System**

This research has examined the impact of strategic, plans and programmes factors on the budgeting reporting system and the result are reported in Table 6.28.

As can be seen from this table, four factors appear to have a positive and significant impact on the effectiveness of budget reports. The beta coefficients are in between 0.33 and 0.56 with a significant level of 0.01 or better. This means that the greater the clearness and communications of strategy and linking it with the plans and programmes, the more would be the possibility of obtaining and using plans, programmes and budget reports effectively. These significant contributions have on

important impact on the goodness of fit for the regression model which has moderate indicators of  $R=0.47$ ,  $R\text{-square}=0.22$ ,  $F\text{-ratio}=4.563$  and  $0.029$  significant level.

**Table 6.28:** The Impact of Strategy, Plans and Programmes on Financial Reporting System

Strategy, plans and programmes	Financial reporting system	
	Beta weights	
	Effectiveness of budget reports	Reasons for ineffectiveness of budget reports
Strategy clearness	0.33	0.41
Strategy communication	0.52	0.34
Preparation of plans and programs	0.01	0.31
Obtaining and using plans and programs	0.56	0.22
Linking plans and programs to strategy	0.36	0.01
R	0.47	0.53
R-Squared	0.22	0.28
F-Ratio	4.563	9.632
Significant level	0.029	0.013

In the same line, four strategic, plans and programmes factors appear to have positive impact on the reasons for ineffective budget reports. The beta weights are in between 0.22 and 0.41 with a significant level of 0.05 or better. These findings indicate that the greater the clarity and communication of strategy among various level in the university, the more would be the effectiveness of plans, programmes preparation and use and the higher the possibility of understanding and awareness of the reasons for ineffective budget reports by senior managers. In addition, the regression model is significant and fit with  $R=0.53$ ,  $R\text{-squared}=0.28$ ,  $F\text{-ratio}=9.632$  and  $0.003$  significant level.

The above findings briefly suggest that the strategic plans and programme determinants have certain contributions to make to the budgeting reporting system.



Therefore, they will be involved in making certain conclusions and implications for this investigation.

To conclude, the results of R-square for budget reporting seems to be significant and consistent and support the predictions assumed in the theoretical model of this thesis and the views of budget managers noted earlier in this chapter that these reports have certain deficiencies in term of complication, accuracy availability and reliability of their financial data. Taken together these reasons prove that strategic planning has weak or no connections with these reports. To support this argument a DVC has noted that:

*“The only budget report I receive is a statement showing the amount allocated and the amount I spend. There are no other analysed reports that support decision making within a computerised financial system.”*

## **6.9 Summary**

This chapter has been divided into two main parts. The first part has examined the relationships between personal and organisational factors, the budgeting process, and centralisation of the decision-making. The second part has been concerned with the relationships between strategic planning, the budgetary process, centralisation, and the financial reporting system. In addition, the findings reported above have shown support to the research model suggested in this thesis and its objectives.

However, some of the results have a limited or weak relationship which could suggest that other alternative factors could be important in explaining the variances in the dimensions of budgetary process and centralisation such as, environment, technology, culture, sources of power and authority, etc.

The findings relevant to the second part of this chapter have shown limited support to the model of this thesis and its assumptions regarding the relationships between strategic visions, plans and programmes, budgetary process, centralisation and budget reporting system.

The findings however, are strengthened by the interviews conducted by the researcher with various senior officials. These interviews largely support the model used in the study in terms of the interviewees' perception of the issues that needed to be addressed. Furthermore these interviews have been valuable in developing more robust conclusions in relation to the budgetary planning and control process and their links with strategic planning within UAE universities and colleges than would be possible by use of a questionnaire alone.

## **CHAPTER SEVEN**

### **SUMMARY AND CONCLUSIONS**

#### **7.1 Introduction**

This thesis has sought to link strategic planning with the resources allocation and budgetary processes within UAE HEI (universities and colleges) and to discover what issues and problems exist within these areas. The strategic management and accounting literature stresses the need for more systematic studies to examine the interrelationships between strategies, priorities, objectives, plans, programmes, resources allocation and budgetary processes. The policy related aim of this research has been to enhance the competitive position, efficiency and effectiveness of UAE HEI in meeting their learning and teaching programmes and delivering their research and consultancy services. This study also aims to enhance and encourage the development of effective links between the strategic visions and budgetary processes of UAE HEI. These aims were the main concerns of several studies reported in the relevant literature-Jarratt Report (1985), Roberston (1993), West-Burnham (1994), Clarke (1997), Groves et al (1997), HEFCE (1998) and Pidcock (2001).

Improving the links between strategic planning and resources allocation should be an important priority of UAE HEI. Indeed the absence of such links is creating severe problems, not least problems of insufficient funding, unfair financial allocations, and an overly centralised and bureaucratised system of control. There are associated staff morale and motivational problems. The confidential report of United

Arab Emirates Education Sector Assessment (UAEESA, 1994, 7-39) and the report of the Advisory Committee for the planning of HE in the UAE (ACRPHE, 1996, 6) concluded that these problems and the associated decline in financial resources had created styles of crisis management, which required urgent reform.

Accordingly, this thesis has developed a theoretical model to explore the link between strategic planning and resource allocation. It set several objectives related to the exploration of the financial systems, budgetary processes and control, strategies and objectives of HEI. The thesis also aimed to examine the links between strategies, objectives, plans and programmes and budgetary processes and decentralisation. Moreover, the relationships between personal and organisational factors, strategies and budgetary processes were explored further within the context of UAE HEI.

In achieving out these objectives, the study set certain assumptions associated with its theoretical model (chapter four) in order to explore and assess these interrelationships. The model assumes certain significant associations relevant to each university's strategic vision and its link with budgetary processes and centralisation. This was examined within seven institutions, UAEU, AUST, HCT, ZU, US, AUS and ECT. This was achieved by the researcher contacting through a questionnaire one hundred and fifteen subjects, such as head of departments and sections in both academic and non-academic departments. In addition, the researcher has conducted semi-structured qualitative interviews with university's officials such as chancellors, VC, DVC and directors of finance, and other managers.

In addition, interviews were undertaken with key governmental personnel, at the ministries of HE, Finance, Planning, and the State Audit Institution and, finally with a member of National Federal Council. These interviews were administered by

using the questionnaire as a basis and open-ended questions in order to allow the subjects to express their opinions on issues relevant to the items studied in this research. All relevant data was coded, classified and analysed by using certain statistical techniques, such as, correlation and multiple regression analysis as well as descriptive statistics. Moreover, the comments of key HEI personnel were used to add to the robustness of the discussion and the conclusions of this thesis. Thus, this final chapter of the thesis will highlight the main findings, conclusions, recommendations and give directions for future research.

## **7.2 Findings and Conclusions**

This section is concerned with a summary of the research findings and conclusions derived from the quantitative and qualitative analyses outlined in the preceding chapters. In addition, the conclusions and implications of the links between strategy-budgetary processes and centralisation will be compared with the previous accounting and strategic management literature reported earlier in this thesis. This will lead to recommendations for change in UAE HEI policies and procedures.

### **7.2.1 University Strategy**

The clearness and communication of the strategic visions, priorities, and objectives of UAE HEI as well as their connections with HE sector were explored. It was found that the universities' strategic visions, priorities and objectives were unclear and not communicated throughout the different management levels of these institutions. Moreover, the environment in which strategic planning and the links with resource allocation were carried out was dictated by central government and in particularly MFI. These organisations impose an incremental budget system that fails to consider the strategic missions, objectives, plans and the budget needs of HEI

particularly with regard to the public universities - UAEU, HCT, and ZU. As was indicated in the previous chapter, these institutions have just started setting their strategic visions, objectives and plans despite the tight control of central government on their policy-making and resources allocation in an attempt to move the debate forward. They are thus on a learning curve.

It was indicated by the VC and DVC of UAEU that the government still has severe control on their policy making and fails to provide enough resources to fund their learning and educational programmes as well as research and supporting activities. Specifically, college and university senior personnel state that the absence of a link between strategy and resources allocation, has caused a severe financial crises within their institutions in meeting their educational requirements. This is predicted to deteriorate further unless change occurs.

In addition, HE strategies have not been related with the resources allocated to these institutions. Rather, budgets and financial resources were allocated irrespective of and in isolation from any strategies and plans that do exist.

As a result, this situation has caused limited effectiveness and efficiency of these institutions in meeting their own strategic planning objectives and communicating these strategies among various levels of their management hierarchies. These internal difficulties of communicating and setting out the clearness of strategic visions and their relationships with the budgetary processes and resources allocation were largely unknown to even some key personnel within UAE HEI. In fact, these problems were highlighted by the qualitative interviews with the university chancellors and directors of finance and budget and within central government organisations as well as being supported by UAEESA (1994) and the Report of

Advisory Committee for The Planning of HE (ACRPHE, 1996). This later report has diagnosed the problems and set the solutions to rectify them within these institutions as a way of improving mutual understanding among HEI officials and central government funding organisations. The findings of this thesis have shown a significant lack of progress since these reports to the detriment of HE in the UAE.

The comparative literature on HE management also stresses the problems of making these links between government and the universities and linking strategic planning to outcomes within universities. In the UK studies have reported a substantial lack of strategic plans and awareness of strategic visions, priorities and objectives among British HEI. This is due to the unique and different nature of these institutions in comparison with business organisations (Jarratt Report, 1985; Roberston, 1993; Clarke, 1997, Groves et al, 1997, HEFCE, 1998; Pidcock, 2001). Again the findings of this thesis show that the UAE HEI have similarities with the UK system.

The above findings can lead one to conclude that the missing link between universities and government HE strategies and resources allocation has caused a management crisis within these institutions due to the lack of funding and heavy control imposed by central governmental in the UAE.

Also the lack of clearness of strategic visions, priorities, and objectives and their links with resources allocation could be responsible for such a crisis as well as the lack of communications of strategies among HEI officials. This tentative conclusion has also been supported by the qualitative interviews conducted by the researcher with key university personnel.

In addition, this thesis has examined the relationships between various personal attributes of key decision-makers, such as, age, educational level, sex, nationality, and organisational factors on both the clarity and communication of strategic visions, priorities and objectives. The findings reported in the previous chapter indicated that only age and nationality have a significant association with the clearness of strategic vision. However, sex and educational level does not seem to have a strong association with this strategic dimension. This means that, senior officials are aware and understand the necessity of clearness of strategic vision. In contrast, sex, age, educational level is positively and significantly related with the communication of strategic visions among HEI officials.

Similarly the organisational factors of the university, occupational background, management level and number of years in service seem to have significant connections with the clearness of strategy. While only management levels, number of years in services, budget participation and planning setting participation are positively and significantly related with the communication of strategic visions, objectives, and priorities. These findings could indicate that among universities staff, well-educated males with relatively long work experience are highly aware of their university's difficulties associated with the absence of the link between institution and HE government strategies and their link with the resource allocation and budgetary processes. This conclusion has been supported by the qualitative interviews with key university personnel who indicated that the absence of such links has created severe problems of funding and meeting educational objectives. Such findings support those of similar studies in the UK, such as, Otley (1978, 1985), Hoque (1995) Collins et al (1997) and Walker and Johnson (1999). These studies found positive and significant



associations between personal and organisational factors such as those involved in this thesis and the budgeting and control processes.

Furthermore, the results of regression analysis have clearly shown a significant impact of both personal and organisational factors on strategic clarity and its communication. However, certain factors such as, nationality and number of management levels, do not show such an impact. This may lead one to conclude that in the context of UAE HEI, the impact of such factors seems to be selective. This means that educational levels, age, sex, budget participation and planning could be more important than other personal and organisational factors involved in this study due probably to certain external determinants such as, the cultural environment created by UAE society and tradition. As was noted by universities and colleges' officials, sex, age, long work experience and educational levels are more important than any other organisational or personal factors in examining the relationships between strategic planning and resource allocation. These factors seem to have significant effects on the clearness and communication of strategic visions, priorities and objectives of UAE universities. Therefore, they need to be taken into consideration in developing a practical framework to link strategy with the budgetary processes.

### **7.2.2 University Plans and Programmes**

In reviewing the results regarding the three dimensions included in communicating the universities' plans and programmes, it was found that many of the academic, administrative and financial staff think that they are not asked about or involved in the preparation of plans and programmes of UAE HEI. In addition, the majority of these plans and programmes are not included in the budgets of these

institutions due probably to the strategy-plans-programmes-budget missing link identified earlier by the university officials. The lack of involvement in the preparation of plans and programmes and not linking them with the university's or unit's budgets has resulted in chronic under funding problems of UAE institutions and supports the significant misdirection of resources within universities outlined in UAEESA (1994), and ACRPHE (1996). It also limits the benefits or advantages of basing resource allocation on the university's strategic objectives, plans, and programmes. There are also motivational issues here.

Again the comparative literature supports these findings West-Burnham (1994), Goodwin and Kloot (1996), HEFCE (1998), Piercy (1998), and Pidcock (2001). These authors identify similar problems of a low awareness of strategic planning and poor links with the budgetary process and participation among university staff. It can therefore be concluded that the absence of a clear and communicated strategic vision and objectives, employee participation and involvement in universities' plans and programmes preparation has severely affected the abilities of UAE HEI to meet their objectives. This is compounded by the growth of student numbers enrolled in each institution. As was noted by senior officials and budget managers, strategic planning and its guidance have not been communicated thoroughly to departments and units. Rather, the objectives, strategies, and resources were determined by and imposed by central university administration without consultation and poorly communicated. As a result, this has affected the effectiveness and efficiency of the delivery of universities' plans and programmes of education and learning. This view was mentioned by almost all the key universities personnel who also suggested that the lack of a sound strategic planning process is responsible for the lack of funding not only from MFI but also within the institutions.

In addition, the results reported in chapter six of this thesis have indicated that the university plans and programmes are not easily accessible to the academic, administrative and financial staff. As a result, any practice by these individuals of attempting to obtain and use plans and programmes is very limited and even if done is practically useless since they are not linked with the budgetary, resource allocation and control process. This conclusion is in line with Goodwin and Kloot (1996), Piercy (1998), and Pidcock (2001), who found no connections between strategic planning and the budgetary process. However, Goodwin and Kloot (1996, 202) have noted,

*“Even if the tight strategy-budget linkage does not exist, the strategic process does appear to provide an information framework that facilitates budgetary support.”*

This view has not been supported in this case with regard to the institutions studied, since there is a lack or absence of strategic thinking and planning as well as staff involvement in the strategic and budgeting decision-making process. Thus, budgetary support is not facilitated.

As a result, the resource allocation and budgetary process has been seriously and practically affected and violated in providing sufficient financial resources for these institutions to run learning and teaching programmes effectively and efficiently. This conclusion has also been supported by ACRPHE (1996) and the formal interviews conducted by the researcher with senior university officials in the UAE HEI.

Consistent with this view, the present study has found that the majority of respondents advocated the link above, since it potentially overcomes the chronic problem of under funding of these institutions, ties up their programmes with

appropriate resources, enhances staff involvement in the budgetary and strategic process and eventually will contribute to meeting the main priorities and objectives of these institutions and importantly the UAE itself. In the qualitative interviews with senior university officials it was their view that plans and programmes can be used as better bases for more effective resource allocation and budget apportionment and could eventually result in institutions having more financial resources to support educational and learning programmes. However, these respondents do not think that it would be useful to develop positive university strategies, plans, and programmes if they are not linked with resource allocation and the budget procedure, as they would be unachievable. This finding stresses the importance of these links.

Further in viewing, the reasons for the strategy-budget disconnection, this study has found that poor plans, inadequate finance, lack of budget-plans connection, poor financial and technical skills, inaccuracy and a lack of sufficient financial data necessary for decision-making are the main reasons for the problem. These results partly arise because the recent establishment of new private and public HEI, all of which rely heavily on foreign administration, financial and academic staff with possibly limited working experience and knowledge of these issues – perhaps these foreign staff lack a shared understanding of how these institutions should be run and of how the UAE government works? As stated earlier the idea of strategic planning, too, has only recently been introduced to the universities and has yet not been linked with the internal departments' budgets and plans. A major reason for this is the lack of awareness and participation of university staff, a lack of technical and financial skills and the bureaucratisation of the managerial system itself. In other words, the high degree of routine and the slow managerial procedures coupled with severe centralisation and a long vertical hierarchy of authority has resulted in low

effectiveness and efficiencies of plans and programmes within these institutions. Again the comparative literature confirms this finding, HEFCE (1998) and Pidcock (2001) in corporate planning within UK universities. Thus, UAE HEI is not alone in its need for improvement in this area.

Following this type of reasoning, the present thesis has examined the connections of the above three dimensions of university plans and programmes with the personal and organisational factors according to the predictions suggested in the theoretical model developed. The findings reveal that almost all personal and organisational factors are either positively or negatively and significantly related to the plans and programmes preparation, obtaining and using plans and programmes. This indicates that senior, well-educated males with long work experience could possibly prepare and use plans and programmes in determining the need for financial resources to fund their learning and teaching requirements as well as other research and supporting services. However, the former factors show partial support to the predicted connections suggested in the research model with regard to the reasons for strategy-budget disconnection.

These findings support the theoretical model of this research with regard to the plans and programmes dimensions and their connections with personal and organisational factors. They are also in line with the previous comparative accounting literature such as, Umpathy (1987), Hoque (1995), Collins et al. (1997), Walker and Johnson (1999), and Tayib and Hussin (2003). Accordingly, it can be concluded that senior HEI personnel are highly aware of the lack of employee involvement in plans and programmes preparation and difficulties associated with their access and deployment within UAE HEI.

This study also provides evidence for the reasons behind the missing link of strategy-budgetary processes. Specifically, the correlation results show very limited associations between personal and organisational factors and reasons for the difficulties in preparing and using plans and programmes. This limited support could indicate that such contextual factors do not affect the reasons behind the difficulties of plans and programmes preparation. Moreover, it was indicated by seven university chancellors and VCs that the lack of technical managerial skills and very limited authority to conduct any sort of planning could be substantial impediments to overcoming the problem of chronic under funding faced by UAE HEI. The high tendency toward bureaucracy and intrusive control imposed by senior administration within these institutions could also be another significant factor affecting the effectiveness and efficiencies of strategic planning and action programmes.

### **7.2.3 Budget Preparation**

In examining budget participation, several dimensions were developed and used in this research, including constraints on budget preparation, the reasons for difficulties in budget preparation, reasons for unrealistic budget preparation, and reasons for the poor suitability of budget preparation forms within UAE HEI.

#### **7.2.3.1 Budget Preparation Constraints**

The present study concludes that UAE HEI suffers from a lack of power and authority to decide their budgets, lack of competence among financial staff in preparing budgets, high centralisation of decision-making and a lack of reliability and availability of financial data required for budget preparation. It can therefore be concluded that structural and institutional constraints, are major causes of deficiencies in the financial planning system within these institutions. The weakness of the

planning system and associated budgeting process have resulted from red tape, high centralisation, and a lack of authority and employee participation within these institutions. This tentative conclusion can be supported by the budget managers' views noted during the qualitative interviews as well as in PWE (1987) and ACRPHE (1996) studies that reported similar findings.

Additionally, the results of Pearson correlation and multiple regression analysis have indicated that certain personal and organisational factors such as age, occupation, management level, budget and planning setting participation appear to have significant connections and impact on these constraints. These results have supported the predictions of the theoretical model and its associated objectives and research questions. They could possibly lead to a conclusion that senior managers are aware of the above constraints and their resulting impact on the chronic under funding of their institutions learning and teaching programmes and other supporting services. As was noted by these individuals, budget preparation constraints could possibly affect the efficiency and effectiveness of HEI in meeting their strategic visions, priorities and objectives. Also, this conclusion is in line with Jarratt Report (1985), Hoque (1995), Collins et al. (1997), CIPFA (1997b), and Pidcock (2001). These advocate the consideration of organisational and structural factors in the strategic planning and budgetary process.

#### **7.2.3.2 Reasons for Difficulties in Budget Preparation**

This research has found that several strategic, managerial, legal and other reasons have caused difficulties in budget preparation. In this respect, senior managers think that the absence of clear strategic visions, priorities, objectives and short-and long-term plans have caused such difficulties. In interview, these managers

revealed they are unable to connect their own strategies with allocated budget or link of these with their university's objectives. Other more senior officials interviewed concerning this strategy-plan-budget disconnection have supported this conclusion. These results are also supported by Robertson (1993), UAEUCD (1995), Clarke (1997), Groves et al. (1997), HEFCE (1998) Pidcock (2001), and Tayib and Hussin (2003). These studies say such connections are needed in order to enhance university efficiency and effectiveness in promoting their competitive advantage positions and achieving their role in teaching and learning programmes and other community supporting reviews.

Additionally, the results of Pearson correlation and multiple regression analysis appear to conclude that the strategic reasons for budget preparation difficulties are subject to the impact of certain organisational factors, such as management level, budget and planning setting participation, occupation and age of the respondents. These factors could indicate the lack of employee participation in strategy formulation and budget preparation has created certain deficiencies in the budget preparation process, since university officials and MFI, do not consider such strategies during the process of resources allocation. Both universities officials and budget managers identified these facts during the interviews.

Similarly, managerial reasons, such as a lack of collective participation in budget preparation, absence of co-ordination between university plans, lack of financial training, power of the budget staff, high centralisation and bureaucratisation of university management system have contributed to creating budget preparation difficulties among UAE HEI. These results were supported by senior officials and budget managers within these institutions as well as studies by Meyers (1992), Bruns



et al. (1993), Thurmaier (1994), Hoque (1995), Henderson (1997) and Tayib and Hussin (2003). These studies indicate that managerial factors can cause as bigger a roadblock in budget preparation as any other contextual or institutional factor.

Moreover, the correlation and regression analysis results indicate that these reasons are subject to the impact and connection of certain personal attributes and organisational factors, such as age, nationality, type of university, management level, budget and planning setting participation. These findings could be an indication of high awareness and understanding among senior officials of difficulties associated with budget preparation and their concern to rectify the problems of chronic under funding by UAE government.

In the same vein, there are certain legal impediments and lack of knowledge of financial rules and regulations among university staff that cause budget preparation difficulties. As a result, such deficiencies in budget preparation can affect an institution's ability to meet its educational objectives and evolving strategies successfully. This tentative conclusion is supported by the comparative accounting literature, particularly AAA (1988), Rickards (1990), CIPFA (1997a), and Marcon (1998), which identify several legal and financial regulations as having the potential to impede the achievement of effective budget preparation and sound financial planning. However, the correlation and regression results did not show a significant link between personal and organisational factors and legal reasons as causing difficulties in budget preparation. This could possibly lead one to conclude that alternative contextual and structural factors could have a strong impact on these reasons, such as sources of power and authority, role formalisation, environment and managerial discretion. These factors have been suggested in the organisational

literature as alternative options in explaining infra-structural and macro-dimensions of the organisation (Ford and Slocum, 1977; Leatt et al, 1982; Child, 1985; Prescott, 1986).

Similarly, this study has found that other reasons, such as absence of effective automated systems and incentives to promote good budgeting preparation have caused difficulties in budget preparation. As a result, it can be concluded that units and departments believe that budget preparation is unsuccessful in the absence of a strong strategic planning processes, since the individual institutions lack the power and authority to determine the financial resources required to meet their learning and teaching programmes, and achieve their strategic plans. This is in fact consistent with the results of two descriptive financial studies of budgeting and an accounting system within UAE HEI (PWE, 1987; ACRPHE, 1996). In addition, correlation and regression results have not shown substantial contributions of personal and organisational factors as the reasons for difficulties in budget preparation. Thus it can be concluded that other structural factors, such as, management control, centralisation, complexity, power, authority, organisational structure and environmental factors could affect budget preparation difficulties more than those ones under investigation in this section. However, such conclusion could be accepted with caution since institutional and structural factors were not included in this study.

#### **7.2.3.3 Reasons for Unrealistic Budget Bids**

Following the preceding conclusion, this study has found that senior officials and budget managers agree that certain reasons, such as budget bid inflation, absence of strategic planning, lack of scientific bases used in resources distribution have caused unrealistic budgets to be prepared. This could be the case within UAE HEI,

since their financial predictions have firstly been adjusted by the universities budget committees and secondly by MFI. As a result, these institutions are suffering from chronic under funding problems leading to crisis management. This tentative conclusion has been supported by senior officials and budget managers as well as by ACRPHE (1996). Moreover, the majority of the personal and organisational factors appear to have certain connections and impact on these reasons. Accordingly, it can be concluded that senior universities personnel and budget managers are aware of the causes of non-realistic budget preparation as a problem that needs to be rectified and solved in order to overcome a managerial and financial crisis. Note too that the correlation and regression results reported in the preceding chapter are in line with the research model assumptions and predictions pertaining to these reasons for unrealistic budget preparation.

#### **7.2.3.4 Reasons for Unfitness Budget Preparation Forms**

It was reported that the respondents involved in this study agree that the budget preparation forms do not meet the requirements for good financial planning due to the fact that these forms are too numerous, overly complicated, do not link with strategic plans and are insufficiently explained regarding how they can be completed. These forms reflect the primary estimate that each department and section needs for funds. They should thus be consistent with the plans, programmes and other requirements set by the university's budget and finance departments and ultimately MFI. They should also be consistent with each other.

According to these results, it can be concluded that while these forms may have been appropriate historically to the traditional budget preparation approaches, they are no longer effective in achieving better financial planning within these

institutions today. This conclusion supports the broad views of university officials that budget preparation forms should reflect strategic visions, priorities, plans and programmes set by these institutions in order to rectify and adjust the resources allocation process to help overcome the problems of strategy plan budgeting disconnection and the problem of inadequate funds. The view was that this is not the case with regard to UAE HEI due to the severe limitation of authority given to these institutions to set and link their strategic planning with budgetary process and resource allocation and design their budget forms accordingly.

The results support the predictions of the research model and its associated objectives reported in the fourth chapter of this thesis as well as previous accounting literature (see Otley, 1978; Hoque, 1995, CIPFA, 1997b, Fisher et al., 2000). The budget preparation forms are no longer useful and appropriate in reflecting the best practice on financial planning, based on a sound corporate strategy. It is also believed that these forms could have been partially responsible for the chronic under funding problems associated with UAE HEI. This is because, financial and accounting staff are not very familiar with the complexity of the forms and their legal instructions. They consequently, complete them badly. Furthermore, departments and sections managers believe that these forms are not considered by either budget committee or central government funding organisations due to the general overestimating of the funds needed by departments.

#### **7.2.3.5 Discussion of Budget as a Waste of Time**

This study attempts to find the reasons for the consideration of budget discussion as a waste of time with the university central administration. The results show that the majority of the respondents agreed that the discussion of the budget

with key universities personnel was a waste of time as any discussion over the budget bid is not be considered in resource allocation. As was noted by the budget managers the missing link between strategy and budgeting has caused any potential advantages of conducting such discussions to be limited since these institutions have almost no strategic view. In reality, managers considered any such discussions to be fruitless, as they did not have any impact on the university's budget committee and, eventually, on the level of resources allocated to them or university ultimately. This conclusion confirms the results of ACRPHE (1996) relevant to the lack of employees' participation in decision-making within these institutions and non-consideration of budget preparation discussions by financial and policy makers within UAE HEI and the government. The above results are also supported by the view of Hoque (1995) and Pidcock (2001) who indicate that participation in decision-making relevant to strategy-resources connections can enhance organisational effectiveness and efficiency in meeting objectives and achieving programmes.

Further, Pearson correlations and multiple regression results indicated that certain personal and organisational factors, such as, age, sex, educational level, occupation, planning setting participation and number of management levels have significant connections and impact on the view that discussion of budget preparation is a waste of time. These results mean that senior managers are highly aware of the reasons for the view held on the value of discussion of budget proposals with either the budget committees or university central administration. Although these results appear to support the predictions of the theoretical model of this study, other contextual and external factors may have significant alternative explanations to the variances associated with such discussions, such as communication, co-ordination and control mechanisms, structural design, positive managerial attitudes towards

employee's participation and leadership styles, etc. However, these factors have not been considered in the context of this study and such conclusion should be accepted with caution. In addition, these factors can be suggested as a new direction for further studies in the fertile area of the strategy-budget connection. These alternative factors have been suggested by Otley (1985), CIPFA (1997a), and Collins et al. (1997), as important determinants of budgetary process and control.

#### **7.2.4 Budget Allocation**

Budget allocation consists of methods of budget allocation and reasons for insufficient resource allocation.

##### **7.2.4.1 Budget Allocation Methods**

This study has found that UAE HEI use mostly top-slicing and traditional incremental resource allocation approaches in allocating budgets to units, departments and sections. The findings are confirmed by the views of the budget managers. They are also supported as being in general use by Cutt et al. (1993), Jones (1994), UAEESA (1994), and Edward et al (1995).

Accordingly, it can be concluded that using these traditional approaches of resource allocation causes the problem of chronic under funding facing these departments and sections in meeting teaching, research, and other institutional activities and programmes as historic patterns no longer reflect the needs of today. This tentative explanation can also be supported by the views of budget managers who indicated that this approach does not take strategic planning and objectives into consideration, and departments have a serious lack of power and authority to make any links viable and gain sufficient financial resources. In addition, using these

approaches affects any proposals to develop or introduce new courses, community support services and research. As a result, the efficiency and effectiveness of departments is compromised. Moreover, senior managers of these institutions believe that if resource allocation is based on objective strategic planning, their institutions can better meet their learning and teaching programmes as well as satisfying other targets. It was mentioned by many universities officials that the current funds assigned by the government are not enough to run day to day activities effectively. They therefore stress the need to have more authority to link their plans with the budget process and thus manage their own activities more successfully.

Further, this research has found that certain personal and organisational factors have a significant relationship with budget allocation methods, such as age, gender, management level, number of years in services, budget participation and planning setting participation. However, the regression analysis shows a limited impact of these variables on the budget allocation methods. Although the correlation results seem to support the assumptions of the research model, personal attributes of the respondents do not have an important impact on the budget allocation method.

This is probably due to the technical nature of resources allocation as a process that has to be consistent with the financial laws, regulations and instructions set by the MFI. Another possible explanation could be the managerial mechanism of using budget allocation methods that are mostly not affected by behavioural or personal aspects of the respondents. These explanations were confirmed by the qualitative interviews with several budget managers.

The present system is, as was indicated by PWE (1987), and ACRPHE (1996), that the final budget has by each university to be revised and adjusted by each

university and college's budget committee before the final approval by university officials within UAE institutions. This finding is in line with the confidential report (UAEESA 1994, 7-40) that:

*“Deans and department chairs have limited roles in budget allocation and little knowledge of the basis for budgetary decisions.”*

The MFI then adjusts these budgets again according to its priorities. since there is no overall strategy for the whole country. This mechanism could have reduced the ability of universities and colleges to get sufficient and fair financial resources to meet their priorities, objectives and strategies. This explanation has been supported by correlation and regression results as well as the views by VC and DVC within public universities. It is also in line with the previous accounting literature, such as Clarke (1997) Pidcock (2001), and Tayib and Hussin (2003) that has identified similar problems in other countries.

#### **7.2.4.2 Reasons for Insufficient Financial Resources Allocations**

The present study indicates that insufficient financial resources allocated to the units and departments within UAE HEI have resulted from power and authority conflict and strategy-plans-budget disconnection with universities. These findings were supported by PWE (1987), Robertson (1993), Groves et al. (1997), UAEESA (1994), ACRPHE (1996), and Pidcock (2001). Additionally, university officials and budget managers noted that their institutions are facing an under funding problem that has caused a crisis in management and affects the effectiveness and efficiency of these institutions in meeting their strategies, priorities and objectives.



It can thus be indicated that high centralisation and a lack of development of strategic planning and its associated connections with the budgetary process could have undermined the ability of UAE HEI to enhance and promote educational performance. This conclusion is also supported by UAEESA (1994), UAEUCD (1995), and ACRPHE (1996) as well as by senior officials and budget managers' views. These subjects have mentioned that the enrolment of the students for coming years will be determined by the resources received from the government. This is already evidence in 2001 that students have been turned away due to insufficient resources.

#### **7.2.5 Budget Implementation**

The present study has considered four dimensions with regard to the budget implementation process. These include factors affecting budget implementation, reasons for spending the entire budget by the end of the year, reasons for purchasing university requirements in a short-time and methods of improving budget implementation. The conclusions pertaining to the results of these dimensions are reported in the following section.

##### **7.2.5.1 The Impact on Budget Implementation (Execution)**

It has been reported that certain factors have affected the budget implementation process including the absence of effective inspection, lack of a sound strategy for budget implementation, and the provision of inadequate financial resources to achieve a units' strategic vision, priorities and objectives. In addition, the results of the correlation and regression analysis show that organisational factors, such as budget participation, management level and planning setting participation have significant connections and impact on the budget implementation process itself. This

means that the financial performance of UAE HEI can be determined in the light of contextual and structural dimensions rather than personal or behavioural aspects. This is the case, since high centralisation, lack of employees' participation and power, and highly formalised structures with the absence of clear strategic vision and priorities are the major practical determinants of the budgetary process and its control. This conclusion has been supported by the qualitative interviews with senior university officials and budget managers as well as by UAEESA (1994), APRCHE (1996). It was also noted by a number of VCs that MFI has given the role of HEI a low priority and therefore inadequate funds have been allocated to meet objectives. This in turn has probably limited the effectiveness and efficiency of the budget implementation process within the universities and colleges.

#### **7.2.5.2 Reasons for Spending Budget at the End of the Year**

The present thesis has reported that there have been several reasons for spending a unit's budget in short period at the end of the fiscal year. These reasons include delays in resource allocation, transfers among budget sections, the units belief that the less they spend this year the greater affect on the next year's budget allocation, superiors' pressure on the units to spend any remaining financial allowances and concern by the institutions that unspent funds will be sent back to the MFI. According to these reasons, it can be concluded that red tape, and the highly formalised and centralised structures of UAE HEI as well as the complications of managerial procedures associated with budget allocation and implementation can be considered as the major determinants of such types of potentially wasteful resource spending. Budget managers also reported that late allocation of the funds by the central federal organisations has led the institutions to spend the budget in a rush by

end of the year. As a result, late approval for the budget has created these types of impediments in effective budget implementation. These explanations are in line with Marcon (1998) who diagnosed similar problems within Italian public sector organisations. The finding is supported further by finance and budget managers within UAE HEI during qualitative interviews.

Further the results of Pearson correlation and regression analysis clearly show that organisational factors such as, occupation, management level, planning setting participation and budget setting participation have an influence on the reasons for spending a unit's budget in short period.

#### **7.2.5.3 Reasons for Purchasing University Requirements in Short Period**

The results reported in the preceding section have shown that HEI can purchase their requirements within a very short period of the year. In other words, the requirements and purchase orders are mostly conducted just before the end of the fiscal year in order to spend the money available for these purposes. This also means that the intention of HEI has not been to send unspent money back to the MFI in case of a possible future funds reduction by the federal government. This is due to several reasons affecting the process, such as, weaknesses of purchasing committees, complicated purchasing procedures, a lack of authority held by the purchasing committee, high centralisation and formalisation of HEI structures, lack of purchasing skills and experience among institutions' officials and delays in purchasing procedures and decision-making. Accordingly, it is believed that the high centralisation and a lack of power and authority to get sufficient resources on time as well as difficulties and complexities associated with purchasing according to certain university requirements are responsible for these failings. In this respect, budget

managers think that the lack of sufficient funds, financial regulations and instructions and overly complex managerial procedures used to conduct the purchasing process could be major impediments to more effective budget management process.

This conclusion is supported by the views of universities' officials that the disconnection of plans and programmes with the budget allocation has limited the ability to meet objectives, priorities and strategies successfully. Additionally, multiple regression results show that organisational factors, consisting of management level and planning setting participation have to be considered as other important predictors for such problems due to the lack of authority devolution and employee involvement in planning and decision-making.

#### **7.2.5.4 Budget Implementation Improvement Methods**

As a result of the above deficiencies in the budget implementation process, university senior managers believe that certain improvements can be achieved within the financial planning and control systems of UAE HEI. These improvements can include the link between short- and long-term strategic planning, improving financial and budget regulations and devolving more power and authority to the units and departments. These improvements have been supported by the previous accounting literature, particularly, Otley (1985), Robertson (1993), Clarke (1997), Groves et al. (1997), CIPFA (1997a), Pidcock (2001) and Tayib and Hussin (2003). It is also thought that adopting alternative methods for executing the budget could overcome the obstacles associated with the current budgeting and budgetary control process of UAE universities and colleges.

## **7.2.6 Centralisation of Decision-Making**

It has been indicated that four dimensions were used to examine centralisation of decision-making, including the extent of financial and administrative decision-making, the unit's autonomy, reasons for power struggles and the negativity of unit's internal power. These factors are thought to have an important impact on the budgetary process and control within UAE HEI. The conclusions relevant to each factor of centralisation are reported in the following sections.

### **7.2.6.1 Extent of Financial and Administrative Power**

The results of this study show that UAE HEI units and departments has limited power and authority to make staff appointments, including rewarding good performance and contract termination decisions. These units do not seem to have authority to make financial transfers (virement) from one section of the budget to another. The initial view to these findings means that HEI have only limited power and authority as core powers are held centrally over crucial matters like staffing. Interviews with key personnel show that the units lack power to be involved in the financial resource allocation process and related the policy and strategic decisions. Most of the decisions have been regularly taken and imposed by the central administration of the institution in what are key management areas.

The results of the regression and correlation analysis have shown significant relationships between certain personal and organisational factors and the extent of a unit's administrative and financial power. These results are supported by the previous literature, particularly Baldrige (1971), Thurmaier (1994), Hoque (1995), and Marcon (1998). As a result, it can be concluded that senior personnel within UAE institutions are aware of the lack of power devolved among their units and that this

impedes the process of decision-making and eventually affects organisational effectiveness. This is the case with regard to the difficulties facing these units in getting sufficient management autonomy to deliver their priorities.

#### **7.2.6.2 Unit's Autonomy**

The present study has reported that the majority of the respondents think that granting units' greater autonomy would lead to greater efficiency in achieving a unit's objectives. This belief is consistent with the Jarratt Report (1985), PWE (1987), UAEESA (1994), and UAEUCD (1995) which indicates that autonomy in decision making relevant to the strategic planning and financial resources can enhance a units and the organisation's effectiveness. This, however, has not been the case within UAE HEI since units have limited authority to decide their strategic visions, objectives, priorities plans and link these strategic visions and objectives to plans and resources allocation. As was indicated by senior officials and budget managers during the qualitative interviews their units have no power or authority to connect their strategic planning with the resource allocation process and, therefore, are severely restricted in achieving their learning and teaching programmes objectives. This explanation is also confirmed by, UAEESA (1994) and ACRPHE (1996).

In addition, correlation and regression results show that mostly organisational rather than personal factors have significant associations with a unit's autonomy. It can therefore be concluded that such a centralisation dimension can be affected by structural factors due to its institutional nature and the central managerial tendency in the UAE towards decision-making. As was indicated earlier in this study, senior managers believe that employee participation in setting the budget and the planning system can enhance the efficiency and effectiveness of their institutions as well as

employee commitment and satisfaction. The interviews with these subjects indicated that high centralisation and bureaucracy has adversely affected unit performance and decision-making process within these institutions. These findings then support each other.

#### **7.2.6.3 Reasons for Power Struggle**

Similarly, the present study has reported several reasons for the weak position held by units, such as, lack of strategies, absence of long-term goals and objectives, absence of job descriptions and lack of employee participation in decision-making. These results have been supported by the actual views of the respondents which refer to a severe lack of a unit's power in making key financial and administrative decisions. Although these units strive to enhance their power and authority, university central administrations have the ultimate power to take such decisions. Also, financial and strategy formulation decisions are taken centrally by university officials as well as federal governmental organisations, such as MFI.

As a result, it can be concluded that high centralisation and control by central federal organisations and senior universities management will inevitably have an impact on the ability of units and academic departments to achieve their priorities, objectives and plans. Additionally, correlation results show very limited connections between certain organisational factors, such as occupation, type of university and number of years in service and reasons for power struggle. This in turn means that centralisation is directly affected by structural factors of the universities rather than behavioural or personal aspects due to its institutional nature.

#### **7.2.6.4 Reasons for Negative Internal Power**

It has been shown that the negative internal power of units and departments within UAE HEI has mostly affected their effectiveness. The present study has found several reasons for this attitude, such as an absence of co-ordination among units, inconsistent decision-making, disagreement about strategy, unfair distribution of resources, waste of resources and inefficiency. As a result, senior officials and budget managers have indicated that more power and authority may be needed in order to rectify these problems and that this could potentially enhance a unit's effectiveness and resource deployment.

The qualitative interviews conducted with senior executives lead to conclusion that bureaucracy, high centralisation and extensive formalisation (relying mostly on rules and regulations, documentation) has seriously affected a unit's ability to meet any objectives and plans. These aspects have also resulted in generating negative attitudes among the staff towards internal power and senior authority. This conclusion has been supported by the Jarratt Report (1985), Marcon (1998) and Fearon (2000). These suggest power devolution as a suitable method to promote the decision-making process and organisational efficiency and effectiveness. In addition, the results of the correlation exercise show a weak relationship between the reasons for negative internal power and both personal and organisational factors. This could mean that these aspects do not explain the variances between a unit's internal power and the associated reasons given. As was indicated by key university officials, the lack of authority and power of decision-making has weakened a unit's ability to meet its objectives, plans and programmes.



### **7.2.7 Budget Reports**

This study has reported that the majority of respondents think that the budget-reporting systems of UAE HEI are not effective and that the resulting reports are too inaccurate and unreliable to be used in decision-making. This is felt to be due to the lack of financial integrated systems that can connect units, departments and sections to each other. It is also caused by having bureaucratic systems unable to interact with subordinates financial, and other services departments in a timely manner. This in turn has reduced the benefits of using the information associated with these reports in the decision-making process. Moreover, lack of power, authority, and high centralisation and bureaucratisation has limited the contribution of these reports to rectifying financial problems associated with the budget implementation and evaluation and eventually organisational effectiveness. In the same vein, the correlation and regression results have shown significant relationships between certain organisational factors, such as budget participation, plan setting participation, management levels and occupation, and budget reporting system. These results indicate that financial reporting process represents an institutional system through which HEI can not effectively assess their financial performance and take corrective action to rectify the deficiencies and weaknesses associated with the budget implementation.

### **7.2.8 Strategy and Budget Process**

This research has also examined the relationships between strategy and the budgetary process within HEI of UAE. In doing so, Pearson correlations and multiple regression analysis were conducted and the results were presented and discussed in the previous chapter. These results have resulted in certain conclusions and implications, which can be reported in the following sections.

#### **7.2.8.1 Strategy and Budget Preparation**

The correlation results have shown significant and important relationships between strategic vision and communication, preparation of plans and programmes, obtaining and using plans and programmes, linking plans and programmes with the strategy and budget preparation constraints. These findings are in support of the research model adopted in this thesis, and it can be stated that, budget preparation constraints have affected the process of financial planning due to the lack of a strategic vision and communication between accounting and academic and administrative staff.

In addition, strategic dimensions have a significant impact on the perception and understanding of the difficulties of budget preparation by senior manager of these institutions. This explanation has been supported by the correlation results and the views of the budget managers with regard mostly to the absence of the strategy and its link with the planning and resource allocation process. Also, the above conclusions seem to support the view of Roberston (1993), UAEESA (1994), ACRPHE (1996) and Pidcock (2001), relevant to the lack of strategic thinking among senior university staff.

In the same spirit, these managers think that, such a lack of strategy-budget connections has serious implications on the suitability of budget preparation forms and the reasons for considering any budget discussions as a waste of time. As was reported, the correlation findings are in line with the predictions of the research model and its objectives as well as the views of budget managers noted in the semi-structured interviews. Therefore, it has been concluded that, a lack of strategic thinking and planning could be the reasons for ineffectiveness of budget preparation

within UAE HEI. This is the case if one considers the views of senior HEI officials that suggest, that centralisation, the lack of employees' involvement in budgeting and the absence of financial planning skills and experience are the reasons causing serious difficulties in budget preparation.

Similarly, strategy clearness and communication, planning and programmes preparation, obtaining and using plans and programmes and linking them with the strategy have significant positive relationships with the reasons for preparing unrealistic budgets. These findings indicate that, although senior managers are aware of the importance of the strategic planning within their institutions, budget preparation seems to be unrealistic due to the lack of the linkages between strategies, plan and resources allocation. This conclusion has been supported by the views of the budget managers and the previous accounting literature, particularly, UAEESA (1994), and ACRPHE (1996).

Also, the reasons for budget preparation discussion being seen as a waste of time appear to have significant positive relationships with the strategic dimensions. Therefore, it can be concluded that, senior managers of these institutions consider such discussion as useless since plans, and programmes are not been taken into consideration during the process of discussion and as such will not affect the final decisions on resources allocation by either their university or MFI.

In addition, the interviews with the budget managers have indicated that these institutions used top slicing and incremental approaches in budget preparation. These approaches have many deficiencies in particular the lack of a detailed study of the base budget.

### **7.2.8.2 Strategy and Budget Allocation**

The relationships between strategic clearness and communications, plans and programmes and budget allocation dimensions are mostly weak and not in support of the research model adopted in this investigation, except the relationships between linking plans and programmes to strategy, budget allocation methods. These findings show that, senior managers believe that the disconnection between strategies and budgetary process has resulted in unfairness and insufficient financial resources coming to their institution and their units. This in turn, has created the problems of chronic and continual under funding identified by PWE (1987), UAEESA (1994) and ACRPHE (1996) and has led to managerial crisis within these institutions. However, the results of the regression analysis have shown significant impact of certain strategic dimensions, such as, obtaining and using plans and programmes, linking plans to strategy, on the main factors of budget allocation, such as, budget allocation methods, and insufficient financial resources. This would suggest that, senior managers believe that, difficulties in tying up plans and programmes with strategies and resource allocation have contributed to the problems of having insufficient resources by these institutions. This explanation has also been confirmed by budget managers during qualitative interviews.

### **7.2.8.3 Strategy and Budget Implementation**

This study has shown very weak connections between strategy and the budget implementation process. The only exceptions are the relationships between linking plans and programmes to strategy with the budget implementation, spending the entire budget in short period and purchasing university requirements in a short period dimensions. These latter relationships are in line with the predictions of the theoretical

model of this thesis but the lack of clearness strategic visions, objectives and priorities and communications among the staff of accounting and administrative departments could have caused delays in transferring financial resources. It has been noted by most senior managers of these institutions that, financial resources allocated to their units and department are not sufficient to cover their requirements. Inevitably they will spend their resources but the phasing of expenditure is an issue.

Additionally, the results of the regression analysis show significant support to the assumptions suggested in the model for this study. This can indicate that a viable strategic planning process has to be considered as a way of achieving effective implementation of the financial budgets of these institutions.

#### **7.2.9 Strategy and Centralisation of Decision-Making**

The previous organisational and accounting literature has shown that the relationships between strategic dimensions and centralisation of decision-making are well established. However, such relationships are not the case in this thesis, particularly the connections between the extent of a unit's power, reasons for power struggles and strategic dimensions. These findings do not advocate the research model of this study and the relevant literature. As a result, it can be concluded that, the lack of employees' involvement in decision-making, high control, lack of power and authority and mistrust and conflict among these units and officials in these institutions have led to the financial and managerial crisis within these institutions and have eventually affected the efficiency and effectiveness of these organisations. These results could also suggest that, centralisation of decision-making could be subject to the impact of other variables such as, environment, technology, size, etc.

### **7.2.10 Strategy and Budget Reporting System**

Similarly, the present study has found that, strategic dimensions have a strong positive relationships with the factors of financial reporting systems, This indicates that clearer of the strategy and the easier access to it the more effective is obtaining plans and programmes and linking them to strategy would improve financial reporting. This in turn, has affected the management control system and decision-making process within these organisations. This was supported by the university officials during the interview. However, they confirm that these reports are not useful because they are not prepared on time and full of mistakes and do not contain analysis to affect decision-making and financial control and improve the effectiveness of these institutions. This fact is in line with the confidential reports of UAEESA (1994).

### **7.3 Recommendations**

The past three decades have witnessed significant growth and progress in HEI of UAE. In addition, governmental policies in providing HE opportunities for nationals who have a high school diploma or its equivalent is seen as being served the nation and its nationals well. Despite this the thesis has reported many problems that are associated with HEI, in UAE particularly, chronic under funding, the missing link of strategy-plans-budgets and the lack of power and authority in the units and the institutions to conduct strategic and policy decisions relevant to learning and teaching, research and supporting services, and other community services courses. The conclusions reported in the preceding section have drawn recommendations for practicing decision and policies-makers that can be summarised as follow:

1. The central federal government of UAE should set the broad objectives, philosophies, and priorities to be expected of the higher educational system in

the years ahead. This need should be linked with the economic development plans and programmes to ensure the effectiveness of developing the national skilled workforce required to achieve high growth in the economy and gross national income.

2. The UAE government should establish a central higher educational committee consisting of senior officials of universities and colleges as well as a certain number of representatives of MHE, MFI, FNC and SAI. This committee should be responsible for the following:

- a) Establishing the financial architecture (systems) of the HEI through the strategic process of creating a vision and setting goals for the whole educational system and these institutions.
- b) Establishing a vision that ties together HEI academic needs and aspirations with financial and business systems. This vision to recognise strategic costs and benefits.
- c) Developing a set of planning principles, philosophies, guidelines and mechanisms that will help define the scope, mission, objectives, priorities, plans and programmes for each university and college within HEI. This would be useful in developing new learning and teaching programmes, research profiles and consultancy work as well as community services. Such an effective strategic planning system will provide the means to evaluate these activities and plans and control the actual outcome of these institutions. It will also indicate the financial consequences and develop the strategy-budget link found so evidently missing by this research.

- d) Establishing substantial connections between the needs of the financial system of each college and university with the resources required and strategic plans, objectives and priorities. In other words, ensuring the linkages between strategic vision, priorities, objectives and planning of these institutions and resources allocation process through which universities and colleges are provided with sufficient financial resources to meet their programmes and activities.
- e) Conducting strategic analysis of the external business environment of the HE sector and the internal resources analysis or capabilities of each universities and colleges. The results of the SWOT portfolio for each institution to help in identifying, and assessing the nature of the internal and external environment of these institutions. This will enable them to identify the main opportunities, threats, strengths and weaknesses and eventually develop viable strategic plans and alternatives that can be used in strategy formulating and performance monitoring of these institutions.
- f) Providing guidelines, frameworks, and mechanisms to HEI with the objective of helping them to put their strategic plans and programmes into effect in terms of developing effective budgeting processes and resources allocation systems, structures and role formalization for each units and department, and effective information and financial reporting and control systems. In other words, creating an effective strategic implementation and monitoring framework within each HEI.
- g) Enhancing strategic thinking and change management among senior and key officials and decision makers of these institutions in order to create



innovation in methods of managing the needs of the business environment and achieving objectives, plans and programmes of learning and teaching successfully.

- h) Changing culture, expectations and values of universities and colleges decision-makers in order to create the environmental for change and adopt effective strategic systems that help these institutions to ensure the links between strategy-budget within adequate resources to implement strategic change.
3. The central federal government to recognize the needs and vital roles of the universities and colleges in creating changes and economic growth and ensure that sufficient financial resources are assigned to meet the broad objectives and missions of these institutions.
  4. The government of UAE should provide broad policy guidelines within which the central committee, universities and colleges can undertake strategic and long-term planning.
  5. The government should consider what action could be taken to restore sufficient long term funding horizons for the universities and colleges that match their needs to foster a strategic planning culture within these intuitions.
  6. The federal government of UAE should set the following principles and procedures through which HEI budgets can be changed in order to create stability and predictability in the funding of these institutions;
    - The federal government financial support of HE should be commensurate with the objectives and assigned tasks. These objectives

include in particular, the provision of education to all national students, the continuing introduction of important new programmes and specializations, the achievement of quality and excellence in the instructional process, and a significant role in scientific research and transfer technology.

- The amount of financial resources provided to universities and colleges should be determined objectively by using relevant data and criteria to ensure an acceptable minimum quality of performance. This should include the retention of well qualified faculty, maintaining appropriate student-facility ratio and class sizes, support of the libraries, learning resources centre, and computing capabilities, provision of modern laboratory and technology, continual upgrading of facilities and equipments, and adequate staff support for the instructional functions.
  - The federal government financial support for higher education should be provided through a budget process that permits the key officials and budget managers of UAE HEI to anticipate a reasonable degree of stability in financial resources from one year to another and enable them to establish and implement long-term development policies and plans.
7. The total budget for each university and college should be made up of three parts. The first part should include the minimum requirements for operating and administering the instructional process. The second part should include extra funds for implementing approved programmes and activities of scientific research, transfer of technology as a part of renovation and modernisation of

continuing education. The third part should include the future strategic expansions of these institutions due to the increase in students numbers that require new universities, colleges, courses and programmes in accordance with the country's needs.

8. The central administration and senior universities and colleges officials should assert their responsibilities in governing their institutions notably in respect of developing strategic plans to underpin academic decisions and structures which bring planning, resources allocation and accountability together into one corporate process linking academic, financial and physical aspects.
9. Universities and colleges senior managers should play an essential role in co-ordinating and endorsing detailed academic work, research activities, launching new programmes of learning and teaching and aligning them with effective financial and resource planning.
10. Universities and colleges should ensure strategic thinking and processes among their members of staff by raising the importance of strategic vision, priorities, objectives, plans and programmes and linking them with the detailed resource allocation process. In this way, better communication and clearness of strategies and associated plans can assist the financial and administrative staff to develop effective budgeting preparation and implementation.
11. Conducting an assessment of external and internal university and college environments in order to estimate effectively the volume of resources needed. This will help to meet changes in these environments in terms of increasing number of courses and programmes on offer as well as developing effective

resource plans and strategic alternatives that enhance the institutional positions relative to their environment.

12. Establishing a planning and resources committee of strictly limited size reporting to the universities and colleges' principals with the responsibilities for developing and discussing budget preparation and resource allocation for each unit or department within these institutions.
13. Developing reliable and consistent performance indicators, cost centres and assigning responsibilities to budget holders at an appropriate level.
14. Encourage participation in the decision-making process by the units by devolving more authority and power to develop their, teaching and learning plans and programmes as well as other supporting services and tying them with the resources allocation process.
15. Conducting a training needs analysis within universities and colleges in order to introduce effective training and management development programmes through which key officials, senior executive financial and administrative staff can progress. This can develop their skills to enhance the budgetary process and linking them with the strategies, priorities and objectives of these institutions to improve the organisational effectiveness and efficiency of these institutions.
16. Universities and colleges should rely on objective criteria in developing and preparing their budgets, such as, student' cost, number of courses in each facility, number of students enrolled, etc. In addition, new budgeting approach should be considered in preparing budgets within these institutions such as,

ZBB, and PPBS. These techniques to be used to support the strategic planning and management control systems through which these institutions can compare their budget performance with their strategic plans and take suitable corrective action.

17. Budget allocation should be based on financial objective rather than subjective measures in order to estimate effectively the changes in the number of courses introduced or dropped, cost per student and course, cost per department, and so on. These measures can be used in discussing the priorities, objectives, plans and programmes for each department with the senior management of the HEI and be ultimately approved by the budget committee within each institution.
18. Universities and colleges should establish cost centres (departments, sections, and units) that are responsible for preparing and implementing their annual budgets. In addition, these centres should have the full authority and power (freedom) to manage their expenditures effectively and efficiently. They also have to be monitored and held fully accountable for the plan's fulfilment and budget implementation.
19. Each budget centre should be given as much delegated authority for managing its strategic plan and programmes as is consistent with the procedures and regulations laid down in the universities and college financial regulations and procedures, and within the requirements of the audit.
20. Effective financial management within these institutions requires that resources be used to maximise productive purposes. This is achieved by purchasing goods and services of required quality at least cost, maintaining the

minimum stock investment commensurate with operational needs, and maintaining maximum positive cash flow to optimise investment income.

21. Audit should extend beyond probity and systems audit to value for money auditing. The internal auditor should be responsible for reporting on performance to the budget committee, and senior management of the institution.
22. Purchasing systems in universities and colleges whether centralised decentralised, or a combination of both should be designed to ensure that the goods and services bought by these institutions satisfy operational requirements, and are obtained expeditiously and economically. In addition, purchase units or departments should be given full authority and responsibility to manage the requirements for goods and services by each department or unit.
23. Sufficient financial resources should be assigned by the budget committee in each institution in order to manage the universities and colleges procurement of goods and services. This will enable these departments to achieve and satisfy their operational plans successfully and avoid the delays associated with a lack of sufficient funds.
24. The universities and colleges should develop effective financial information and reporting systems through which these institutions can generate useful financial data that can be used by decision makers in developing effective budgetary management control systems. These systems to enhance the implementation of strategic plans and programmes as well as maintaining the link between budgets and strategy.

25. Budgetary processes and control should establish effective employees' participation and involvement in order to ensure effective communication across all levels of the organisation and potentially create high satisfaction and commitment among universities and colleges employees.
26. Effective training courses required for all universities officials and senior executive managers in understanding managerial and accounting concepts that will assist them in interacting with the strategic planning and budgeting processes in order to fulfil the institution's strategic vision, priorities and objectives.
27. The central administration of universities and colleges should encourage departments, sections, and units in more involvement in strategic planning participation and linking them with the budget and resource allocation. This will create more commitment from the staff and will increase effectiveness and outcomes of these institutions.
28. All above recommendation to be subject to full and effective review after an appropriate period.

#### **7.4 Directions for Future Research**

This thesis represents the first attempt to examine the impact of strategic planning on the budgetary process and control of UAE universities and colleges. In order to highlight the difficulties and obstacles facing these institutions in having sufficient financial resources to meet their objectives and strategic plans, future research should concentrate on the examining of the linkages between strategy and actual resource allocation. This can be achieved by either using the same methodology

employed in this research or assessing strategy-budget linkages within the context of the universities and colleges' unique business environment. These types of research work can enhance academic understanding and awareness of strategic plans, priorities and objectives within these institutions and develop effective mechanisms for co-ordination and control of organisational performance of their budget. Such research would build on the recommendations by examining the future direction of UAE HEI.

The second possibility for future research could be the exploration of the current problems associated with the budgetary process and control of UAE universities and colleges. Such as, difficulties of budget preparation, insufficient financial resources, unfairness budget allocation, and difficulties in budget apportionment and implementation, ineffective financial reporting systems, and high centralisation of financial decision-making. This research will thoroughly diagnose the problem of chronic under funding cited by this research, PWE (1987), UAEESA (1994) and ACRPHE (1996) national studies of HE budgets and strategies and make recommendations for policy decision-makers within these institutions. In addition, this will help academics to demonstrate whether the budget process is still a viable tool for managerial planning and control within their institutions or not.

The process of allocating scarce resources and making funding decisions is a fundamental business function within universities and colleges. There are many opportunities for problems to occur that involve gridlock, sub-optimisation of the resources, misleading goals, deficit spending, and other potential roadblocks to success. In reality, the resource allocation process will always be a political process to some extent, and perfect resource allocation is not possible in the real world. Therefore, future research should concentrate on the impact of power and politics,



sources of power, independence, and extent of centralisation of decision-making on the budgetary process. This research will be useful in assessing the impact of the internal and external political environment in which universities and colleges operate in the resource allocation and budgetary process.

Another extension of future research should be to study the relationships between control, managerial short-term orientation and budgets and the implication for financial performance. This type of research requires the collection of performance data relevant to the budget and the impact of short-term orientation on the process of budgeting and control.

The budgetary process is an integral part of the management control system. Managers use budgetary information for many purposes such as, motivation, performance evaluation, and investment planning and employees' participation. It could be possible to assess the impact of such factors on the budgetary process and financial performance of these universities and colleges. This research will probably suggest that the budgetary process depends mostly on organisational and managerial factors in determining the organisational effectiveness.

Finally, an awareness of competitive position, competitive advantages and scope and the value chain analysis of the universities and colleges can be useful tools for some prioritisation between research selectivity, teaching excellence and income generation. These issues should be considered in future research in relations to cultural and political factors as well as the budgetary process and control system. This research can probably help in dealing with the resulting budget problems and improve the understanding of senior officials and budget managers within universities and colleges as to the missing link between strategies-plans-programmes and budgets.

## 7.5 Concluding Remarks

In concluding perhaps the following quotation summarizes the context with regard to the importance of the issue of linking the themes of this thesis to the advancement of higher education in the UAE:

*“The problem is that we experience real pain because we do not get the budget so we develop a new strategy to downsize - to become smaller - which raises a national strategic issue – how high is higher education in the priorities of this country.*

*The key issue for me is what strategy, priorities and action plans the Ministry of Higher Education set because both I and my Chancellor are very unhappy with the way they treat us in the budget process. We now do hours of work planning strategies and they do not have any commitment to us. Next year will see even more pressure on resources and class sizes.*

*They have to recognize there is huge growth in the number of young people in this country and the country should realize, if you want to provide access to high quality education, you have to expand the resources for higher education.*

*I think we will see social injustice in this country unless priorities change.*

*It bothers me and I am not a national.”*

(VC Higher Technology Colleges)

These remarks set a context in which it is extremely important that change is embraced within all levels of UAE higher education from the Ministry of Higher Education to individual managers within universities and colleges. It is only by embracing the change agenda as outlined in the recommendations to this thesis that the interests of the UAE and its universities, colleges and students can be enhanced to the benefit of all.

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***To Whom It May Concern***

**Date:** 4 September 2000

**Our Ref:**

**Your Ref:**

Dear Participant

**Subject: Ahmed Al-Zarouni**

Mr. Ahmed Al-Zarouni is a full time research student with the University studying in the Business School. He is undertaking a Ph.D. project on budgeting and strategic management in the higher education sector of the UAE. He is sponsored by the UAE government and on completion of his work will return to the university sector in the UAE.

The main objective of his project is to identify those factors which effect the budgetary and strategic management processes within the universities of the UAE .

The results of this work should enable the universities concerned to identify those factors causing problems with their own budgetary and strategic management processes and procedures. This will allow them to take appropriate action on those items within their control. It is also anticipated that this study will have much wider implications for monitoring and improving performance in other areas of budgeting and strategic management which will ultimately go beyond the budgeting and management process of individual universities in the UAE. The findings should also be of value to the UAE government.

As regards to the study, he has selected your institution as one of his sample. We, therefore, hope that your institution could kindly provide him with the information requested. **All information obtained from either the questionnaire or interviews will be strictly used for the purposes of the research and remain entirely confidential.**

Finally, we appreciate your time and co-operation and thank you very much for taking part in this potentially very exciting project.

Yours sincerely

Professor H. M. Coombs B.Sc., M.Phil., Ph.D., CPFA.  
Director of Studies.

## Appendix

### **Part One: Personal Information**

#### **1. Please tick the category of your university.**

UAE University ☐ Higher Technology College ☐ Zayed University ☐  
Ajman University ☐ American University of Sharjah ☐ Sharjah University ☐  
Other: ... ..

#### **2. In which city is your campus located?**

Abu Dhabi ☐ Al Ain ☐ Dubai ☐ Sharjah ☐ Ajman ☐  
Umm Al-Qaiwain ☐ Fujairah ☐ Ras Al-Khaimah ☐ Other  
city ... ..

#### **3. Age group: (Please tick one)**

(30 or younger) ☐ (31 – 40) ☐ (41 – 50) ☐ (51 – 60) ☐ (Over 60) ☐

#### **4. Gender: Male ☐ Female ☐**

#### **5. Academic qualifications:**

Below first university degree ☐ B.Sc./B.A. ☐ Master's Degree ☐ Ph.D. ☐  
Other ... ..

#### **6. Where did you obtain your last qualification?**

United Arab Emirates ☐ Asia/Africa ☐ Europe/Australia ☐ USA ☐  
Other ... ..

#### **7. Nationality: U.A.E. Citizen ☐ Arab National ☐ European ☐ American ☐ Other ... ..**

#### **8. Occupation:**

Academic ☐ (e.g.: Deans, Academic Sections, Lecturer etc.)

Administrator ☐ (e.g.: Service, Purchasing, Maintenance Departments, etc.)

Accounting & Budgeting ☐ (eg: working in Finance or Budget Departments  
or employed as an accountant)

#### **9. What is your management level?**

Dean ☐ Vice Dean ☐ Head Section (Academic) ☐  
Head Department (Administration) ☐ Head Section (Administration) ☐  
Other: ... ..

#### **10. How many years have you been working at your university? (... .. Years)**

#### **11. Have you ever participated in budget preparation at this university?**

Yes ☐ No ☐

#### **12. Have you ever participated in plan setting at the unit?**

Yes ☐ No ☐

## **Part Two: Strategy Vision**

### ***A. Strategy Clearness***

1. **Do you think that the university has clear strategies and objectives?**  
Yes ☐ No ☐ Don't know ☐
2. **Do you think there is a clear UAE government higher education strategy?**  
Yes ☐ No ☐ Don't know ☐
3. **Do you think that the absence of a clear university strategy is due to the absence of a higher education general strategy by government?**  
Yes ☐ No ☐ Don't know ☐
4. **Have you been involved in formulating and revising the university strategy prior to its publication?**  
Yes ☐ No ☐ Don't know ☐
5. **Has any information relating to your work been asked for in formulating the university's strategy?**  
Yes ☐ No ☐ Don't know ☐

### ***B. Strategy Communication***

6. **Has the strategy been communicated to you after it has been approved?**  
Yes ☐ No ☐ Don't know ☐
7. **Do you believe that when individuals participate in formulating strategy that any agreed strategy is likely to be more successful?**  
Yes ☐ No ☐ Don't know ☐
8. **How would you prefer to see the university's strategy formulated? Is it from**  
Top to bottom ☐ Bottom to top ☐ both directions simultaneously ☐



## **Part Three: Plans and Programmes**

### ***A. Preparation of Plans and Programmes***

1. Have you been asked to prepare plans that arise from the university strategy?

Yes ☐ No ☐ Don't know ☐

2. Are these plans included in the Unit's Budget Bill when the latter is prepared?

Yes ☐ No ☐ Don't know ☐

3. Do officials approve these plans before they are included in the University's budget bill?

Yes ☐ No ☐ Don't know ☐

### ***B. Obtaining and Utilising Plans and Programmes***

4. Is the unit plan easily obtainable? Yes ☐ No ☐ Don't know ☐

5. Do you think that the difficulty of obtaining the unit plan is attributed to the absence of a clear university strategy? Yes ☐ No ☐ Don't know ☐

6. Do you think that it is more appropriate to link the plan for the preparation of the annual budget with the university's general strategy?

Yes ☐ No ☐ Don't know ☐

7. Do you think that it is unnecessary to link the preparation of the annual budget bill to the university's general strategy because of a lack of adequate financial resources? Yes ☐ No ☐ Don't know ☐

### ***C. Reasons for not Linking Plans and Programmes***

Please put a cross (X) in the appropriate boxes for the following questions

[Key: 1 = strongly agree, 2 = agree, 3 = undecided, 4 = disagree, 5 = strongly disagree]

8. Why do units not link plans and programmes to the budget? Is it because?

		1	2	3	4	5
1	Officials in the university do not approve the plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The plans are not adequately financed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The budget allocation is not based on unit plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	The officials responsible for preparing budgets do not have the financial and technical skills to supervise plans and programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	The dead line for preparing the budget is not sufficient to allow plans to be prepared	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The university's general goals are not realistic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	The data that is required for preparing budget plans is inaccurate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	The data required for preparing budget plan is not available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please):

.....  
 .....

## **Part Four: Preparation of the Budget**

1. **How would you rate the following constraints in terms of their effects on the unit's annual budget preparation process?**

		1	2	3	4	5
1	University administration does not pay attention to budget preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Power struggles within the higher administration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Power struggles within the unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	The university's higher, central decision-making process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	People are not convinced of the competence of the officials preparing budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The data required for the preparation of budget bill are unavailable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Available data are inadequate and unreliable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please): .....

2. **Difficulties arise in the preparation of the unit's budget bill for the following reasons:**

		1	2	3	4	5
	<b><i>Strategic reasons:</i></b>					
1	The absence of a clear university strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The absence of a long-term plan for the unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The absence of a short-term plan for the unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b><i>Managerial reasons:</i></b>					
4	A lack of interest in the budgeting process by university administration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	The absence of collective participation in budget preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Absence of co-ordination among university units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	The committee for the preparation of the budget bill has no power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	An absence of co-ordination between the unit and the Finance and Budget Department	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	The rules of budget preparation decision discourage units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Budget preparation forms do not help in formulating the unit's financial plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	University units have not been trained to prepare budget bills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Staffs of unit are not conversant with general financial concepts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<b>Legal reasons:</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Presence of legal impediments					
14	Unfamiliarity of units with financial rules, regulations and laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>Other reasons:</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	The absence of an effective automated system for budget preparation					
16	University units are unaware of the importance of the preparation of their budget bills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	The timetable for budget preparation is inadequate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	The time allocated for budget preparation is insufficient	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	Budget allocations to the units are predetermined and it is pointless to prepare the budget in the unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	The absences of incentives to promote good budgeting practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (please specify):

.....  
 .....

**3. Certain units prepare unrealistic budget bids that cannot be justified, because?**

		1	2	3	4	5
1	They believe that inflated budgets are easy to defend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The unit in seeking to meet its requirements for several years in a single budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	They are not convinced that sound budgeting will influence decisions on apportioning the budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	The absence of long-term plans for allocating resources over more than one year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	They believe that budget apportionment is not founded on a scientific and realistic base	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	They believe that distribution methods are unfair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please):

.....  
 .....

**4. Budget forms do not meet the requirement for good financial planning because:**

		1	2	3	4	5
1	They are too numerous	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	They are too complicated	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	They do not cover all aspects of the unit's plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Adequate explanation of how to complete these forms is not provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Plans and programmes cannot easily be translated into financial figures using these forms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	IT facilities are too limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please):

.....  
 .....

**5. Discussing the budget bill with the university's central administration is a waste of time?**

Yes ☐ No ☐

**6. Discussion is a waste of time because:**

		1	2	3	4	5
1	The budget bill does not represent the unit's actual plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Discussion does not affect the decision for budget apportionment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	There are no mechanisms for adopting plans and programmes after discussion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Committees for Apportionment of budget do not take into account discussion outcome when apportioning budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	The bill is only financial figures rather than plans or programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The bill cannot be justified because it is unrealistic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Officials are not content with the unit's plans and programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	People involved in the discussion have no authority to make budget apportionment decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	People involved in discussion are not very competent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## **Part Five: Apportionment of Budget**

### **1. How is the current annual budget allocated to units?**

		1	2	3	4	5
1	Last year's expenditure for every unit plus any changes in the number of students	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The costs of each student multiplied by the number of students in each unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Apportionment is based on the number of departments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Apportionment is based on the number of courses in each department	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Apportionment is based on the weighted cost per course	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Apportionment is based on the university's plans and objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Apportionment is based on the weighted cost per student	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Giving priority to meet shortages in the number of academic staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Giving priority to new programmes by constructing new departments or laboratories or increasing lecture theatres	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Giving priority to university research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Giving priority to students' extra-mural activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Giving priorities to public services such as maintenance, hygiene, electricity, etc	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Last year plus inflation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Formulating an academic equation including above items	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional comments please:

.....  
 .....

### **2. What are the reasons for insufficient financial resources allocated to your unit from the university central administration?**

		1	2	3	4	5
1	A good plan was not submitted by your unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	There are priorities that are more important to the university than your unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	University's funds are not sufficient to fund all unit plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Some units are more favoured than others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Units that are more powerful obtain more resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Any more reasons (please specify):

.....  
 .....

### 3. Budget allocation is not fair because:

		1	2	3	4	5
1	Budget preparation indices are not considered when budgets are allocated	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	There is favouritism to certain units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Units that are more powerful obtain larger apportionments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	The budget is not apportioned according to the budgets proposed by the units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	The lack of unit representation in the university's budget committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Units with more influence obtain more resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (please specify):

.....  
.....

## **Part Six: Implementation of the Budget**

1. **Do you think the implementation of the budget in your unit was affected by the following factors:**

		1	2	3	4	5
1	The absence of effective inspection by inspection agencies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Agencies supervising the implementation of the budget have no inspection powers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Plans and programmes included in the budget do not represent the units' actual plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Plans and programmes are not approved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Many plans and programmes were not included in the budget bill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The financial allocations of the Budget Committees are in figures rather than for plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Financial resources are inadequate hence plans and programmes are not observed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please):

.....  
 .....

2. **Units plan to spend any surplus in the budget by the end of the year for the following reasons?**

		1	2	3	4	5
1	Allowances are returned to the Ministry of Finance or the Public Accounts, if not used	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Not spending allowances affects next year's allowances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	There are pressures from immediate superiors to spend remaining allowances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Next year's economic and financial indices are not encouraging so it is preferable to purchase more stock for the following year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Funds can be allocated late in the year and must be spent by the end of the year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please):

.....  
 .....

**3. What is the reason for purchasing the university's requirements in a short period of time toward the end of the year?**

		1	2	3	4	5
1	A clear plan for the provision of requirements according to a suitable timetable is lacking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Unit or departmental purchasing committees are weak	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Purchasing committees within the university as a whole are ineffective	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Financial rules and regulations are complicated	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Centralisation of decision-making in the university delays purchases	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The university is late in distributing financial allowances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Late apportionment of the university financial resources by the Ministry of Finance.(Governmental universities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Departments are late in submitting their purchase order	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Funds allocated are more than required and this emerges at the end of the year, unless they are spent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Purchase priorities according to approved plans are ambiguous	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Financial resources are very limited and do not cover the purchase of requirements thus leading to the difficulty of arranging priorities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	The officials responsible for purchasing at the unit lack the experience to manage purchasing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	The unit's financial officials poor performance leads to delays in the purchasing process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please):

.....

.....

**4. In what ways could the execution of the university's budget strategy be improved?**

		1	2	3	4	5
1	Adopting units' annual plans and programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Adopting long-term (three to five year) plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Linking plans and programmes with the university's general objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Devolving more financial and administrative powers to units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Devolving more authority to the units in executing their budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Better supervision of units in the implementation of plans and programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Treating units on the basis of their results	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Improving financial and budget regulations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (specify please):

.....



## **Part Seven: Decentralisation of Financial and Administration**

### **Decision-Making**

**1. What is the extent of the unit's financial and administrative powers and authority with respect to the following?**

		Yes	No	Don't know
1	Appointment of permanent staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Appointment of staff on daily basis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Terminating the services of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Terminating the services of daily paid staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Rewarding staff member from the unit's budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Permission for secondments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Permission for attendance at courses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Purchasing using petty cash money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Entering into contracts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Apportioning unit's budge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Financial transfer from one item to the other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Financial transfer from one section to another	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Approving regular staff leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**2. Struggles for power within the university's units occur for the following reasons:**

		1	2	3	4	5
1	The institution lacks articulated strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Absence of long-term goals and objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Absence of jobs description	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Ideological conflicts within an institution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Conflict of personal interests and advantages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Absence of participation in decision-making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Inadequate financial resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons (please specify):

.....

**3. Internal power negatively affects the university as a whole and leads to:**

		1	2	3	4	5
1	Absence of co-ordination among units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Emergence of negative attitudes among staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Inconsistent decision making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Disagreements about strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Frustrates the achievement of the institution's strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Unfair distribution of resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Waste of resource and inefficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Duplication of effort	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Wide spread of bureaucracy and centralisation within the administrative and financial system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Risk of averse activity behaviour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	A blame culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**4. Do you think that granting units greater budget autonomy would lead to greater efficiency in achieving unit objectives?**

Strongly believe so

Believe so

Don't Know

Do not believe so

Strongly do not believe so

## **Part Eight: University's Budget Reports**

**1. Does your unit receive reports regarding your unit budget?** Yes ☐ No ☐

**2. Where did you get budget reports?**

- From the accountant in our unit ☐
- From Finance or Budget Department ☐
- From other places please specify: ... ..

**3. What are the means of getting budget reports?**

- Directly from financial integrated system in the unit ☐
- Prepared manually by the accountant of our unit ☐
- Prepared Manually by Finance or Budget Department ☐
- Printout by Finance or Budget Department ☐
- Other methods please specify: ... ..

**4. How often do you receive budget reports?**

Any time ☐ Daily ☐ Weekly ☐ Monthly ☐ Quarterly ☐  
Semi-annually ☐ Annually ☐ Periodically ☐ Sometimes ☐

Other please specify: .....

**5. Do you believe that budget reports are not effective and do not support decision-making?**

Yes ☐ No ☐

**6. Budget reports are not effective for the following reasons:**

		1	2	3	4	5
1	The reports are not accurate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	They contains mistakes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The information is old and cannot lead to good decision-making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	There is no integrated computer system connected to finance or budget department to receive the information directly from its source	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	The information is not updated	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The reports are ambiguous and not understood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	The information does not arrive on time to support decision making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other reasons please specify: ... ..